**COVER SHEET**

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S.E.C. Registration Number

| P | R | I | M | E | | M | E | D | I | A | | H | O | L | D | I | N | G | S | , | | I | N | C | . | | | |
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| ( | f | o | r | m | e | r | l | y | | F | i | r | s | t | | e | - | B | a | n | k | | C | o | r | p | . | ) |

(Company's Full Name)

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| | | | | | | | | | | | | | | | | | | | | | | | | | |

(Business Address: No. Street/City/Province)

| ROLANDO S. SANTOS |
|---|

Contact Person

| 831-4479 |
|---|

Company Telephone Number

| 1 | 2 |
|---|---|

*Month*

| 3 | 1 |
|---|---|

*Day*

Fiscal Year

| DEFINITIVE INFORMATION STATEMENT 2017 |
|---|

FORM TYPE

| 0 | 5 | | |
|---|---|---|---|

*Month* *Day*

Annual Meeting

| N/A |
|---|

Secondary License Type, If Applicable

| | | |
|---|---|---|

Dept. Requiring this Doc.

| |
|---|

Amended Articles Number/Section

Total Amount of Borrowings

| |
|---|

Total No. of Stockholders

| nil |
|---|

Domestic

| |
|---|

Foreign

---

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
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File Number

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Document I.D.

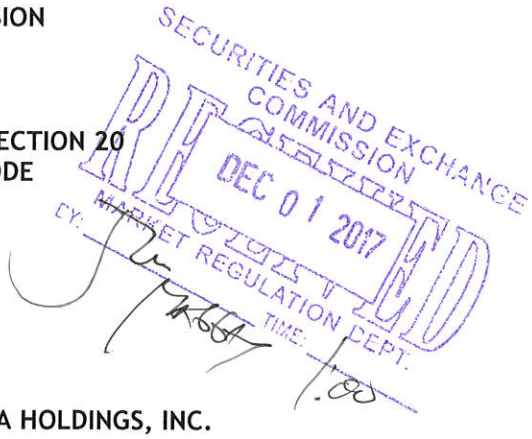
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STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE




1. Check the appropriate box:

   [ ] Preliminary Information Statement

   **[X] Definitive Information Statement**

2. Name of Registrant as specified in its charter: **PRIME MEDIA HOLDINGS, INC.**

3. Province, country or other jurisdiction of incorporation or organization
   **Metro Manila, Philippines**

4. SEC Identification Number: **Reg. No. 22401**

5. BIR Tax Identification Code: **TIN 000-491-007**

6. Address of principal office:
   **16F Citibank Tower, Paseo de Roxas, Makati City** Postal Code **1226**

7. Registrant's telephone number, including area code, Tel. Nos.: (632) 831-4479

8. Date, time and place of the meeting of security holders

   **21 December 2017 at 9:30 am at The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   **01 December 2017**

10. In case of Proxy Solicitations

    Name of the Person Filing the Statement/ Solicitor: NA
    Address and Telephone No.: NA

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---|---|
| Common Shares | 700,298,616 |
| Preferred Shares | 14,366,260 |

*1 Reported by the stock transfer agent as of 31 October 2017.

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes [ x ] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    **Philippine Stock Exchange.**
    **Common Shares**

**PRIME MEDIA HOLDINGS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To All Stockholders:

Please be advised that PRIME MEDIA HOLDINGS, INC. will hold its Annual Shareholders' Meeting on **21 December 2017, 9:30 am at The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City**, with the following agenda:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of the previous meeting
4. Approval of Management Report and Audited Financial Statements
5. Ratification of Management's Act
6. Election of Directors
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

The Board of Directors has fixed the close of business on the **25 October 2017** as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting.

All proxies (which must be acknowledged before a notary public) must be submitted to the Corporate Secretary on or before **8 December 2017, 5:00 p.m.** at the following address:

Prime Media Holdings, Inc.
c/o Marcventures
4th Flr. Citibank Center
8741 Paseo de Roxas, Makati City
Attention: Diane Madelyn C. Ching

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
DEC 01 2017
MARKET REGULATION DEPT.
BY:
TIME:

Very truly yours,

**Atty. Diane Madelyn C. Ching**
*Corporate Secretary*

**SAMPLE PROXY FORM**

The undersigned stockholder of PRIME MEDIA HOLDINGS INC. (the "Company") hereby appoints _____ or in his/her/its absence, the Chairman of the meeting, as attorney-in-fact and proxy, to represent and vote all the shares registered in his/her/its name at the annual meeting of the stockholders of the Company scheduled on **21 December 2017, 9:30 am at the The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City,** and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below:

| PROPOSAL | ACTION | | | |
|---|---|---|---|---|
| | FOR | AGAINST | ABSTAIN | |
| 1. Approval of Minutes of the previous meeting | | | | |
| 2. Approval of Management Report and Audited Financial Statements | | | | |
| 3. Ratification of Management's Acts | | | | |
| 4. Election of Directors: | FOR ALL | AGAINST ALL | ABSTAIN FOR | FULL DISCRETION OF PROXY |
| The nominees are:<br><br>Manolito A. Manalo<br>Juan Victor S. Valdez<br>Rolando S. Santos<br>Bernadeth A. Lim<br>Diane Madelyn C. Ching<br><br>Nominees for independent directors:<br><br>Francisco L. Layug III<br>Johnny Y. Aruego, Jr.<br><br>*Instruction: To withhold authority to vote for any nominee, please mark "Abstain" box and list the name(s) under.* | | | | |
| 5. Election of Reyes Tacandong & Co. as external auditor | | | | |
| 6. Other Matters | | | | |

Signed this ____ day of _____ 2017 at _____

_____
PRINTED NAME OF THE STOCKHOLDER

_____
SIGNATURE OF THE STOCKHOLDER/AUTHORIZED REPRESENTATIVE

This proxy must be acknowledged before a notary public and must be submitted to the Corporate Secretary on or before **8 December 2017, 5:00 p.m.** The stockholder giving a proxy has the power to revoke it either in an instrument in writing duly presented for recording with the Corporate Secretary at least five (5) days prior to the meeting or by personal attendance at the stockholders' meeting. For corporations, the proxy must be accompanied by a Secretary's Certificate authorizing an authorized representative to represent the corporation in the meeting.

**SAMPLE SECRETARY'S CERTIFICATE**

I, _____, of legal age, with address at _____, being the Corporate Secretary of _____, do hereby certify that:

1. In the regular/special meeting of the Board of Directors of the Corporation held on _____ 201_ at the _____, the following resolution was approved:

> "RESOLVED, that the Board of Directors of _____ (the "Corporation") hereby authorize, _____ and/or _____ to represent the Corporation and to vote all of the Corporation's shares registered in the books of the PRIME MEDIA HOLDINGS INC. (PRIM) at any annual stockholders' meeting of PRIM, particularly, the annual stockholders' meeting to be held on _____, and any adjournments or postponements thereof.
>
> "RESOLVED, FURTHER, that the Board of Directors of the Corporation authorize _____ and/or _____ to sign, execute and deliver nominations and proxies in relation to said annual stockholders' meeting of PRIM."

2. This resolution has not been suspended, revoked nor amended.

_____*(date of execution)*, _____*(place of execution)*.

_____
Corporate Secretary

SUBSCRIBED AND SWORN to before me on _____ at Makati, Metro Manila, affiant exhibiting to me his/her valid proof of identification _____ issued at _____ on _____.

Doc. No. _____
Page No._____
Book No._____
Series of 2017.

## INFORMATION STATEMENT AND MANAGEMENT REPORT

## INFORMATION STATEMENT

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY**
However, if you cannot attend and you wish to send a representative/proxy, please send your proxy letter to the Office of the Corporate Secretary on or before 08 December 2017, 5:00 p.m., a sample of which is attached to this report. On the day of the annual stockholders' meeting on 21 December 2017, your representative should bring the proxy letter and present valid proof of identification (e.g. passport, driver's license, company ID or TIN card).

### A. GENERAL INFORMATION

**Item 1. Date, Time and Place of Annual Meeting of Security Holders**

The Annual Meeting of the stockholders of PRIME MEDIA HOLDINGS, INC. will be held on **21 December 2017, 9:30 The Metropolitan Club Inc., Estrella corner Amapola Sts., Guadalupe Viejo, Makati City.**

The mailing address of the Company is **at c/o Marcventures, 4th Flr. Citibank Center Bldg. Paseo de Roxas, Makati City.** Please address the letters to the corporate secretary of the Company, Diane Madelyn C. Ching.

This Information Statement will be first sent or given to security holders on or around the **01 December 2017.**

**Item 2. Dissenters' Right of Appraisal**

There is no proposed corporate action or matter to be taken up at the Annual Stockholders' Meeting that will give rise to the exercise of appraisal right by the dissenting stockholders.

The Corporation Code limits the exercise of the appraisal right by any dissenting stockholder to the following instances:

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);

c. In case of merger or consolidation (Section 81);

d. In case of investments in another corporation, business or purpose (Section 42).

The appraisal right may be exercised by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid

by the corporation within thirty (30) days after such award is made; Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholders shall forthwith transfer his shares to the corporation.

The appraisal right shall be exercised in accordance with Title X of the Corporation Code.

### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company or any nominee for election as director of the Company or any associate of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office as director of the Company. None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

None of the directors of the Company has informed the Company that he intends to oppose any action to be taken by the Company at the stockholders' meeting.

## B. CONTROL AND COMPENSATION INFORMATION

### Item 4. Voting Securities and Principal Holders Thereof

As of 31 October 2017, the following shares of common and preferred stock of the Company were outstanding:

| Class | Number of Outstanding Shares |
|---|---|
| Common | 700,298,616 |
| Preferred | |
| Series A | 14,366,260 |
| Series B | Nil |

As of 31 October 2017, the foreign equity ownership on a per class basis is as follows:

| Class | Number of Outstanding Shares |
|---|---|
| Common | 1,500,360 |
| Preferred | 109,650 |

All registered owners of the Company's common stock at the close of business on **25 October 2017** will be entitled to notice and vote at its Annual Stockholders' Meeting on 21 December 2017.

Each common share is entitled to one (1) vote on all matters to be taken up during the Annual Meeting except in the case of electing directors where one (1) share is entitled to Seven (7) votes, i.e. each share is entitled to as many votes as there are Board seats to be filled up.

Each stockholder is entitled to cumulate his votes and cast the same in favor of one or several nominees of his choice in such proportion as he shall deem fit, provided that, the total votes cast do not exceed the number of his shares multiplied by the number of directors to be elected. There is no condition precedent to the exercise by the stockholders of their cumulative voting right.

**Security Ownership of Persons Owning More Than 5% of the Company's Outstanding Common Stock**

As of 30 September 2017, the Company knows of no one who is directly or indirectly the record or beneficial owner of more than five percent (5%) of the Company's capital stock except as set forth below:

| Type of Class | Name and address of record owner and relationship with Issuer | Name and address of beneficial owner and relationship with Issuer | Citizenship | Name of Beneficial Owner & Relationship with Record Owner | No. of Shares Held | Percent of class |
|---|---|---|---|---|---|---|
| Common | PCD Nominee Corporation (Registered Owner in the Books of the Transfer Agent) | RYM Business Management Corp./ 106 Paseo de Roxas Ave. Makati City Stockholder | Filipino | RYM beneficial owner of the shares. | 463,555,085 | 66.20% |
| | | Isidro C. Alcantara, Jr. 4th Floor Citibank Center, Paseo de Roxas, Makati Stockholder | Filipino | Isidro C. Alcantara, Jr. is beneficial owner of the shares. | 97,178,901 | 14% |
| | | Caulfield Heights, Inc. 6 Ozamis St. Alabang Hills, Muntinlupa City Stockholder | Filipino | Caulfield Heights, Inc. is the beneficial owner of the shares. | 35,000,000 | 5% |

RYM Business Management Corp. has authorized and/or appointed by way of proxy, the Chairman of the Board of Prime Media Holdings Inc. to represent and vote the its shares in the Annual Stockholders' Meeting. Caulfield Heights have authorized and/or appointed by way of proxy, Isidro C. Alcantara, Jr. or its duly authorized representative to attend and vote on its behalf.

***Security Ownership of Management as of 30 September 2017***

| Type of Class | Name and Address of Owner | Amount and nature of Beneficial ownership | Citizenship | Percent of class |
|---|---|---|---|---|
| Common | Manolito Manalo | 1 Direct | Filipino | 0.0% |
| Common | Rolando S. Santos | 1000 Direct | Filipino | 0.0% |
| Common | Bernadeth A. Lim | 1 Direct | Filipino | 0.0% |
| Common | Diane Madelyn Ching | 1000 Direct | Filipino | 0.0% |
| Common | Juan Victor S. Valdez | 1 Direct | Filipino | 0.0% |
| Common | Johnny Y. Aruego Jr. | 1 Direct | Filipino | 0.0% |
| Common | Edgardo E. Tumangan | 1 Direct | Filipino | 0.0% |
| | Aggregate for above named officers and directors | **2,006** | | |

**Voting Trust Holders of 5% or More**

The Company is not aware of the existence of persons holding five percent (5%) or more of the Company's shares of common stock under a voting trust or similar agreement.

**Changes in Control**

The Company in its disclosure dated December 18, 2015, informed that RYM Business Management Corporation has informed Prime Media Holdings Inc. (the Corporation) that it has acquired 93,685,410 and 218,099,360 common shares owned by Neo Oracle Holdings, Inc. and Metro Tagaytay Land Company Inc., respectively, in the Corporation or a total of Three Hundred Eleven Million Seven Hundred Eighty Four Thousand Seven Hundred Seventy (311,784,770) common shares equivalent to 44.6% during the foreclosure sales evidenced by the Certificates of Sale dated 18 December 2015 and 18 December 2015, being the creditor and highest bidder for the aforementioned shares at the bid price of PhP 74,544,642.00 and PhP 57,051,743.40, respectively, or a total price of PhP131,596,385.47.

Subsequently, on June 1, 2016, supplement to the disclosure dated 21 December 2015, the Company disclosed that the 93,685,410 shares of Neo Oracle Holdings Inc. and 218,099,360 shares of Metro Tagaytay Land Company Inc. in Prime Media Holdings Inc. were transferred to RYM Business Management Corp. (RYM) through a special block sale on 31 May 2016 at the price of PhP 0.7957 and PhP 0.2616 per share, respectively, to implement the foreclosure sales made in December 2015.

As a result, RYM became the owner of 610,733,986 shares or 87.38% of the Company.
The aforementioned transaction is exempt from the Tender Offer rule as provided in Section 19.3.1.3 of the Securities Regulation Code.

On June 15, 2016 RYM disclosed thru SEC Form 23-B that it has sold a total of 147,178,901 shares thus leaving the Company with 463,555,085 shares or 66.20%.

**Item 5. Directors and Executive Officers**

**Directors**

The following are the names, ages, citizenship, periods of service of the incumbent directors of the Company as of September 30, 2017:

| Name | Age | Citizenship | Period during which individual has served as such |
|---|---|---|---|
| Manolito A. Manalo | 48 | Filipino | May 2013 to the present |
| Juan Victor S. Valdez | 45 | Filipino | May 2013 to the present |
| Bernadeth A. Lim | 35 | Filipino | May 2013 to the present |
| Diane Madelyn C. Ching | 34 | Filipino | October 2013 up to the present |
| Rolando S. Santos | 66 | Filipino | August 2017 to the present |
| Johnny Y. Aruego (Independent Director) | 48 | Filipino | May 2013 to the present |
| Edgardo E. Tumangan (independent director) | 83 | Filipino | May 2013 to the present |

The business experience of each of the incumbent directors of the Company for the last five (5) years is as follows:

**Manolito A. Manalo** was elected as President and Director in May 2013. He is the co-founder and managing partner of Ocampo and Manalo Law Firm. He is a Director of Panalpina World Transport (Phils.), Inc. and Home Catalogue Shopping, Inc. He also sits as Director and Corporate Secretary in Kajima Philippines Inc. He began his law practice as an associate in Leovillo C. Agustin Law Offices

from 1995 to 1996 and Britanico Consunji and Sarmiento from 1996 to 1997. He later headed the Legal Division of Air Philippines from 1997 to 1999.

**Bernadeth A. Lim** was elected as Vice President and Director in May 2013. She is a junior partner of Ocampo and Manalo Law Firm. She is a Director and Assistant Corporate Secretary of Kajima Philippines Incorporated, Ripple Mobile Technology Solutions Inc., and Anawhan Realty Inc. She also sits as a Director in Ayannah Information Solutions Inc. and Home Catalogue Shopping, Inc.

**Juan Victor S. Valdez** was elected as Director in May 2013. He is a junior partner of Ocampo and Manalo Law Firm. He is a director, Vice-President for Legal Affairs and Corporate Secretary of PATTS College of Aeronautics, one of the country's leading aeronautic schools. He also sits as director in Segundo Travel & Tours Inc., Hafti Tours Inc., Kajima Philippines Incorporated, and Intragenix, Inc.

**Diane Madelyn C. Ching** was elected as Director in October 2013. She currently serves as Corporate Secretary of Bright Kindle Resources & Investments Inc. (formerly Bankard Inc.) and AG Finance Inc. She is likewise the General Counsel and Assistant Corporate Secretary of Marcventures Holdings Inc. and Corporate Secretary of Marcventures Mining and Development Corp. Atty. Ching was previously an associate of Ocampo & Manalo Law Firm from March 2010 to June 2013.

**Rolando S. Santos** was elected as Director in August 2017. He was elected as Assistant Treasurer in October 2013. He serves as Vice President and Treasurer of Bright Kindle Resources & Investments Inc. and as Treasurer of Marcventures Holdings Inc. and Marcventures Mining and Development Corp. He was previously the Branch Head/ Cluster Head for Makati Branches of Equitable PCI Bank which was eventually acquired by BDO from 2001 to 2013.

**Edgardo E. Tumangan** was elected as an Independent Director in May 2013. He is a partner in Tumangan & Partners Law Offices and a legal counsel in San Miguel Corporation. He is a director in Macet, Inc., Lenspro Corporation and CEI Laboratories, Inc. He is the President of the Capitol Bar Association and the Founding Chairman of the Philippine Insurance Law Association. He is the Chairman of the Rotary Leadership Institute and the President of the U.P. Alumni Association in the Nueva Ecija Chapter.

**Johnny Y. Aruego, Jr.** was elected as an Independent Director in May 2013. He is a partner in Aruego Bite and Associates. He is a director of Excel Unified Land Resources Corporation. He is the Corporate Secretary and Legal Counsel for Agility, Inc. and A. V. Ocampo-ATR Kimeng Insurance Broker, Inc. He is a Legal Consultant of Loranzana Food Corporation, National Steel Corporation and Margarita Land and Management Co., Inc. He is the assistant rehabilitation receiver for Pacific Activated Carbon, Inc., Pet Plans, Inc., Bacnotan Steel Industries, Inc. and All Asia Capital and Trust Corporation. He is an assistant liquidator of East Asia Capital Corporation, Reynolds Philippines Corporation.

## Officers

As of September 30, 2017, the following are the names, ages, positions, citizenship and periods of service of the incumbent officers of the Company:

| Name | Age | Position | Citizenship | Period during which individual has served as such |
|---|---|---|---|---|
| Manolito A. Manalo | 48 | President & CEO | Filipino | May 2013 up to present |
| Bernadeth A. Lim | 35 | Vice President | Filipino | May 2013 to present |
| Diane Madelyn C. Ching | 34 | Corporate Secretary | Filipino | August 2017 up to the present |
| Rolando S. Santos | 66 | Treasurer | Filipino | October 2013 up to present |
| Christopher Sam S. Salvador | 34 | Asst. Corporate Secretary/ Corporate Information Officer | Filipino | May 2014 up to present |

**Christopher Sam S. Salvador** was appointed as Corporate Information Officer in 2014. He is an associate of Ocampo and Manalo Law Firm. He is a director and the treasurer of Pureholdings, Inc., Corporate Secretary of Timebound Trading, Inc. and Home Catalogue Shopping, Inc., and Assistant Corporate Secretary for Island Transvoyager, Inc. and Bacuit Airholdings, Inc.

**Nomination Committee and Nominees for Election as Members of the Board of Directors**

The Nominations Committee has screened the following nominees for election or re-election on 20 December 2017. The Nominations Committee determined that the candidates possess all the qualifications and none the disqualifications as director or independent director.

Nominees for Regular Directors

Manolito A. Manalo
Juan Victor S. Valdez
Bernadeth A. Lim
Diane Madelyn C. Ching
Rolando S. Santos

Nominees for Independent Director

Johnny Y. Aruego
Francisco L. Layug

Please refer to the above biographical details of current directors that have been renominated.

Atty. Edgardo Tumangan will no longer stand for re-election to concentrate on other matters.

Atty. Francisco L. Layug is the President of Rotary Club of Pasay. He was the President of the University of the Philippines Electronics and Electrical Engineering Alumni Association Inc. from 2010- 2011. He was the Vice President of Alay-Lakad Foundation from 2009-2010

All nominations for regular and independent director have been reviewed and approved by the Company's Nomination and Compensation Committee.

The independent directors were both nominated by Manolito A. Manalo. The nominator is not related to the persons he has nominated for independent directors.

The procedure and selection of the independent directors were made in accordance with Section 38 of the Code and the Company's By-laws. In compliance with the provisions of Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, the Company's By-laws was amended on 30 September 2004.

The qualifications of all nominated directors including the nominated independent directors have been pre-screened in accordance with the rules of the Company. Only the nominees whose names appear on the Final List of Candidates are eligible for election as directors (independent or otherwise). No other nominations were entertained after the preparation of the Final List of Candidates and no further nominations shall be entertained or allowed during the annual stockholders' meeting.

The Company undertakes to submit the updated Certifications of Qualification for the Independent Directors within 30 days from their election in compliance with SEC Memorandum Circular No.5 Series of 2017.

The nomination and election of independent director shall be in accordance with Section 38, as amended of Republic Act 8799 or the Securities Regulation Code and article II, Section 3 of the Company's By-Laws as amended by the Board of Directors on September 29, 2004 and the Stockholders on September 30, 2004.

The Nomination Committee is composed of Juan Victor S. Valdez as Chairman and Edgardo E. Tumangan as members.

In accordance with SEC Memorandum Circular No. 4 Series of 2017, both Independent Directors (ID) have not exceeded the maximum cumulative term of nine (9) years. Furthermore, the Company understands that after a term of (9) years, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director. At the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and Reckoning of the cumulative nine-year is from 2012.

**Period in Which Directors and Executive Officers Should Serve**

The directors and executive officers should serve for a period of one (1) year.

**Term of Office of a Director**

The seven (7) directors shall be stockholders and shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and shall serve until the election and qualification of their successors.

Any vacancy in the board of directors other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.

**Significant Employees**

The business of the Company is not highly dependent on the services of certain key personnel. There is no employee who, while not being an executive officer, is expected by the Company to make a significant contribution to the business.

**Family Relationships**

There are no family relationships either by consanguinity or affinity up to the fourth civil degree among directors, executive officers and nominees for election as directors.

**Involvement in Certain Legal Proceedings**

The Company is not aware that any one of the incumbent directors and officers and persons nominated to become director/s and officer/s has been the subject of a bankruptcy petition or a conviction by final judgment in criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five (5) years until the date of this Information Sheet.

**Certain Relationships and Related Transactions**

The Company does not have any material transactions in 2016.

**Resignation/Disagreement**

Monica Isabelle I. Villanueva resigned as Corporate Secretary on 22 August 2017. Her resignation is not due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

**Item 6. Compensation of Directors and Executive Officers**

The aggregate compensation paid in 2014, 2015 and 2017 estimated to be paid in 2017, (1) to the Chief Executive Officer and four (4) most highly compensated officers of the Company, as a group; and (2) to all key officers, other officers, and directors as a group, is set out below:

| *Names* | *Position* | *Year* | *Salary* | *Bonus* | *Others* |
|---|---|---|---|---|---|
| *Manolito A. Manalo* | *Chairman & President* | | | | |
| *Bernadeth A. Lim* | *Vice President* | | | | |
| *Juan Victor Valdez* | | | | | |
| *Rolando S. Santos* | *Treasurer* | | | | |
| *Diane Madelyn C. Ching* | *Corporate Secretary* | | | | |
| *All Directors and Officers as a group unnamed* | | *2015*<br>*2016*<br>*2017(est.)* | *0*<br>*0*<br>*0* | *0*<br>*0*<br>*0* | *22,778*<br>*155,556*<br>*200,000* |

Except for nominal per diem amounting to P10,000.00 for attending board meeting and PhP 5,000.00 for attending committee meetings, there are no standard arrangements by which Directors are compensated directly or indirectly.

**Item 7. Independent Public Accountants**

a) Independent Public Accountants, Reyes Tacandong & Co. (RTC) will stand for re-election as the Corporation's external auditors for the year 2017 which shall be subject to shareholders' approval during the Annual Meeting in compliance with SRC Rule 68, Paragraph 3(b)(iv) which provides that the external auditor should be rotated every five (5) years or earlier or the handling partner shall be changed.

b) RTC was first elected as the Company's Independent Public Accountant in December 2014. Representatives of RTC will be present during the annual meeting and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed. There was no event where RTC and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. Except as stated in the report of independent auditors, the Corporation has no disagreements with its auditors.

c) For the audit of the Company's Annual financial statements and services provided in connection with statutory and regulatory filings or engagements, the aggregate amounts to be billed or already billed excluding VAT and out of pocket expenses (OPE) by RTC amounts/amounted to ₱345,431 and ₱406,560 for 2015 and 2016 respectively.

The 2016 audit of the Company is in compliance with Rule 68, paragraph (3)(b)(ix) of the Amended Securities Regulation Code Rule 68, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier and that a two-year cooling off period should be observed in the re-engagement of the same signing partner or individual auditor.

At present, RTC account partner handling the Corporation is Belinda B. Fernando and she has been the handling partner since 2014. She is due for rotation in 2019. A two year cooling off period shall be observed in the re-engagement of the same signing partner or individual.

The Company created an Audit Committee composed of the following members: Bernadeth A. Lim, Juan Victor S. Valdez and Johnny Y. Aruego, Jr (Chairman). As provided for in its charter, the

objective of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial reporting process, the system of internal control, risk management, governance processes, the audit process and the company's process for monitoring compliance with laws and regulations and its own code of business conduct.

**Item 8. COMPENSATION PLANS**

No action is proposed to be taken during the stockholders' meeting with regard to any bonus, profit sharing, pension/retirement plan, granting of any extension of options, warrants or rights to purchase any securities.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

No matter will be taken up involving any issuance or exchange of securities.

**Item 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE**

There is nothing to disclose with respect to authorization or issuance of securities.

**Item 10. MODIFICATION OR EXCHANGE OF SECURITIES**

Pursuant to the previous approvals of the Board of Directors and Stockholders of the Company sometime in the year 1997 which was duly approved by the Securities and Exchange Commission and duly disclosed to the Exchange, the Company issued 1,289,279 additional shares on May 30, 2016 arising from the conversion of 32,231,970 preferred shares at the conversion rate of 25 preferred shares to 1 common share.

As of September 30, 2017, Change(s) in Number of Issued and Outstanding Shares are as follows:

| | **Before** | **After** |
|---|---|---|
| Common Shares/ PRIM (Foreign) | 1,217,859 | 1,296,290 |
| Common Shares/ PRIM (Local) | 699,002,326 | 699,002,326 |
| **Total** | **700,220,185** | **700,298,616** |
| | | |
| Preferred Shares/ PRIM (Foreign) | 109,650 | 109,650 |
| Preferred Shares/ PRIM (Local) | 16,217,380 | 14,256,610 |
| Total | **16,327,030** | **14,366,260** |

**D. OTHER MATTERS**

**Item 15. ACTION WITH RESPECT TO REPORTS & OTHER PROPOSED ACTION/S**

The following matters shall be submitted to the vote of stockholders of the Company during the stockholders' meeting.

1. Approval of Minutes of the previous meeting
2. Approval of Management Report and Audited Financial Statements
3. Ratification of Management's Act
4. Election of Directors
5. Appointment of External Auditor

Action is to be taken on the approval of the Minutes of the previous stockholders' meeting. The Summary of the minutes therefor is provided below:

***Summary of the Minutes of the 2016 Stockholders' Meeting***

The last annual meeting of the stockholders of the Company was held last 25 October 2016, where the stockholders of the Company approved the following matters: (i) the President's Annual Report and the Annual Report for the year 2015; (ii) the minutes of the Annual Stockholders' meeting of the Company held last 22 December 2015; (iii) the Audited Financial Statement of the Company for the year 2015 contained in the Annual Report; (iv) all the acts and resolutions of the Board of Directors and Management for the year 2016 up to 25 October 2016; (v) Stockholders' approval, ratification of the execution of Management agreement between the Corporation and RYM Business Management Corporation (vi) the appointment of Reyes Tacandong & Co., as the Company's external auditor; (vii) the election of the members of the Board of Directors (including the Independent Directors) of the Company.

Action is likewise to be taken for the ratification and approval of the acts of the Board of Directors and management. The resolution to be adopted will be the ratification and approval of the acts of the Board of Directors and Management from the last stockholders' meeting up to present.

Meetings of the Board of Directors were held on the following dates:

a. March 24, 2017
b. April 10, 2017
c. September 20, 2017
d. October 10, 2017
e. October 27, 2017

At these meetings, operational and financial reports were discussed. In addition, the following matters were taken up;

1. **March 24, 2017**
   - Appointment of Atty. Perseverando Arana to appear as counsel for the Corporation in the case pending before Branch 28, Regional Trial Court of Cagayan de Oro for issuance of new owner's duplicate of title.

2. **April 10, 2017**
   - Approval of the Audited Financial Statements for the Year Ending December 31, 2016
   - Grant of Authority to the Treasurer to (1) release and completely discharge paid mortgages or obligations; (2) sign, execute and deliver affidavits of consolidation and such documents necessary to consolidate titles and ownerships of certain properties in favor of the Corporation and (3) to sign, execute and deliver Deeds of Assignment and other documents relevant to the transfer of assets to PDIC or BSP.
   - Approval of the Sale of the Corporation's property in Matimtiman St., Quezon City.
   - Appointment of Atty. Manolito Manalo, Atty. Christopher Sam Salvador, Atty. Diane Madelyn C. Ching, Atty. Lemuel Pagdanganan and/or lawyers of Ocampo and Manalo Law Firm as representative/s of the Corporation in the cases for and against the Corporation.
   - Appointment of Alex O. Penaflor or Trisan Ballor of Infinite Business Infosys Co, Ltd. (IBISCO) as the authorized representative/s to transact with relevant government agencies in relation to the properties of the Corporation in Koronadal, South Cotabato
   - Grant of sign the Affidavit of Consolidation
   - Appointment of authorized person to sign the Deed of Assignment

3. **September 20, 2017**
   - Authority to acquire Toyota Hilux for Company use

4. **October 10, 2017**
   - Approval of the Equity Restructuring by using the Additional Paid-In Capital (APIC) to reduce the Company's deficit. As of 31 December 2016, the Company has an APIC of PhP 2,114,921,869 and a deficit of PhP 2,915,362,792. The implementation of the equity restructuring will reduce the Company's deficit to

PhP 800,440,923. The Board likewise resolved to conduct the Annual Stockholders' Meeting on November 24, 2017. The Board further granted authority to the President to postpone the meeting as he may deem necessary.

5. **October 27, 2017**
   - Appointment of Stock Transfer Services, Inc. as the new Stock Transfer Agent of the Corporation

**Item 16. MATTERS NOT REQUIRED TO BE SUBMITTED**

All corporate actions to be taken up at the annual stockholders' meeting will be submitted to the stockholders of the Registrant for their approval in accordance with the requirements of the Corporation Code.

Matters not required to be submitted are the Call to Order and Certification of Notice and Quorum.

**Item 17. Voting Procedures**

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be at least two (2) members who are independent directors.

For all other matters proposed to be acted upon, the affirmative vote of the shareholders representing a majority of the outstanding common capital stock will be needed for approval.

**Manner of Voting**

Each common share entitles the person in whose name it is registered in the books of the Company to one vote with respect to all matters to be taken up during the annual meeting of stockholders.

In the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his share shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

**Voting Requirements**

(a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected as directors of the Company.

(b) All other matters presented for approval of the stockholders of the Company require the affirmative vote of the stockholders representing a majority of the outstanding stock of the Company

**Method by which Votes will be Counted**

Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the Stockholders.

## MANAGEMENT REPORT

### I. Financial Statements

The Audited Financial Statements of Prime Media Holdings, Inc. (PRIM) for the years ended as of December 31, 2016 are attached to this report.

### II. Information on Independent Accountants and other Related Matters

The Company's financial statements for the years ended December 31, 2016 and 2015 have been audited by Reyes Tacandong &Co. ("RTC"), independent auditors, as stated in their reports appearing herein.

Ms. Belinda B. Fernando is the Company's current audit partner. We have not had any disagreements on accounting and financial disclosures with our current external auditors for the periods or any subsequent interim period.

There were no disagreements with RTC on any matter of accounting and financial disclosure.

The following table sets out the aggregate fees incurred for the years ended December 31, 2016 and 2015 for professional services rendered by RTC:

| | **2016** | 2015 |
|---|---|---|
| Audit and Audit-Related Services | **₱406,560** | ₱345,431 |

### III. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is based on the audited financial statements as at December 31, 2016 and 2015, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Financial Statements and should be read in conjunction with the audited consolidated financial statements.

**Summary Financial Information**
The Financial Statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 are hereto attached.

The following table sets forth the summary financial information for the years ended December 31, 2016 and 2015:

Summary of Income Statement

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **INCOME** | **₱2,973,625** | ₱2,011,824 | ₱4,052,153 |
| **EXPENSES** | **28,653,740** | 32,674,375 | 5,238,851 |
| **INCOME (LOSS) BEFORE TAX** | **(25,680,115)** | (30,662,551) | (1,186,698) |
| **PROVISION FOR INCOME TAX** | **590,871** | 36,060 | 78,386 |
| **NET INCOME (LOSS)** | **(26,270,986)** | (30,698,611) | (1,265,084) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | **(10,000)** | 100,000 | (30,000) |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **(₱26,280,986)** | (₱30,598,611) | (1,295,084) |
| **BASIC AND DILUTED LOSS PER SHARE** | **(₱0.04)** | (₱0.06) | (₱0.01) |

Summary of Balance Sheet

| | December 31 | |
|---|---|---|
| | **2016** | 2015 |
| **ASSETS** | | |
| **Current Assets** | **₱48,027,135** | ₱78,439,864 |
| **Noncurrent Assets** | **68,432,200** | 66,558,360 |
| | **₱116,459,335** | ₱144,998,224 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | **₱193,160,882** | ₱195,989,085 |
| **Noncurrent Liability** | **9,034,500** | 8,464,200 |
| | **202,195,382** | 204,453,285 |
| **Equity** | **(85,736,047)** | (59,455,061) |
| | **₱116,459,335** | ₱144,998,224 |

Summary of net cash flows

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **(₱70,523,055)** | (₱36,743,094) | (₱2,221,067) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **-** | (85,800) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **-** | - | 109,000,000 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(70,523,055)** | (36,828,894) | 106,778,933 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **73,225,018** | 110,053,912 | 3,274,979 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **₱2,701,963** | ₱73,225,018 | ₱110,053,912 |
| **NONCASH FINANCING ACTIVITY** | | | |
| Unpaid portion of acquisition cost of AFS financial assets | **₱–** | ₱– | ₱– |

## 2016 vs. 2015

### Statement of Financial Position

The total Assets of the Company decreased by ₱30.44 Million or equivalent to 20.99% from ₱145.00 Million in 2015 to ₱114.56 Million in 2016. The significant changes were mainly due to the following:

- Cash decreased significantly from ₱73.22 million as of December 31, 2015 to ₱2.70 million as of December 31, 2016, a decrease of ₱70.52 million or equivalent to 96.31% pertains mainly to the payment of administrative expenses and advances made to RYM Business Management Corporation. The advances were subsequently collected in 2017.

- Due from Parent Company increased significantly by ₱40.00 million or equivalent to 100.00% pertains to the advances made to RYM Business Management Corporation.

- The company incurred a net loss of ₱27.61 million in 2016 which resulted to decrease in the total stockholder's equity.

### Results of Operations

Operating results reflected a net loss of ₱27.60 million in 2016, ₱3.10 million or equivalent to 10.10% lower as compared to 2015 reported net loss of ₱30.70 million. The significant changes were mainly due to the following:

- Outside services decreased from ₱2.09million in 2015 to ₱1.09 million in 2016, ₱1.00 million or equivalent to 47.85% decrease primarily due to the payment of appraisal fee for the appraisal on the properties of the Company in 2015.
- Taxes and licenses decreased from ₱1.57 million in 2015 to ₱0.65 million in 2016, 57.96% in due to payment of real property tax.
- Rent decreased by ₱0.98 million or equivalent to 78.40% due to termination of rental contract for office space used in 2015.
- Other expenses decreased by ₱1.15 million due to last year's loss on litigation on the "China Banking Corporation vs. Plasko Trading Inc. and PDCP Development Bank (now Prime Media Holdings, Inc.)", under Civil Case No. 95-72847, RTC Manila, Branch 17.

**Explanations for the material changes in the Company's accounts between 2015 and 2014 are as follows:**

### Statement of Financial Position

The total Assets of the Company decreased by ₱36.89 Million or equivalent to 24.00% from ₱153.67 Million in 2014 to ₱116.78 Million in 2015. The significant changes were mainly due to the following:

- Cash decreased significantly from ₱110.05 million as of December 31, 2014 to ₱73.22 million as of December 31, 2015, a decrease of ₱36.83 million or equivalent to 33.46% pertains mainly to payment of liabilities and administrative expenses.

- Receivables decreased from ₱4.65 million as of December 31, 2014 to ₱4.38 million as of December 31, 2015, a decrease of ₱0.27 million or equivalent to 5.70% mainly due to the collection of the subleased property rent.

- The company incurred a net loss of ₱30.70 million in 2015 which resulted to decrease in the total stockholder's equity by ₱30.60 million.

## Results of Operations

Operating results reflected a net loss of ₱30.70 million in 2015, ₱29.43 million or equivalent to 2,326.61% higher as compared to 2014 reported net loss of ₱1.27 million. The significant changes were mainly due to the following:

- The company entered into management agreement with RYM Business Management Corporation for a Management services amounting to ₱23.1 million.
- Professional fee increased from ₱0.46 million to ₱2.50 million in 2015 or equivalent to 443.48% due to monthly legal fees paid for the cases handled.
- Outside services increased from ₱1.61million in 2014 to ₱2.09 million in 2015, ₱0.47 million or equivalent to 29.39% decrease primarily due to payment of appraisal fee for the appraisal on the properties of the Company amounting to ₱1.15 million.
- Taxes and licenses increased from ₱1.36 million in 2014 to ₱1.57 million in 2015, 14.86% in due to payment of real property tax.
- Rent increased by ₱0.62 million or equivalent to 98.5% due to payment of office rental, storage and warehouse charges.
- Other expenses increased by ₱0.71 million due to loss on litigation on the "China Banking Corporation vs. Plasko Trading Inc. and PDCP Development Bank (now Prime Media Holdings, Inc.)", under Civil Case No. 95-72847, RTC Manila, Branch 17.

**Explanations for the material changes in the Company's accounts between 2014 and 2013 are given below:**

## Statement of Financial Position

Total assets of the Company stood at ₱153.67 million which is ₱106.8 million or 228% higher than the previous year. The significant changes were mainly due to the following:

- Cash increased significantly from ₱3.28 million as of December 31, 2013 to ₱110.05 million as of December 31, 2014 mainly due to the receipt of ₱109 million representing full payment of the stock subscription of two major stockholders, NOHI and MTLCI.

- Loans and receivables increased by 5% mainly due to the accrual of the subleased property rent for the month of November and December 2014.

- Other current assets decreased by 17% as prepaid rent representing rent for the year 2014 on a subleased property was converted into expense.

Total liabilities as of December 31, 2014 which mainly pertains to accruals for taxes and registration fees and payables to BDO, PDIC and PDIC almost remained constant from the ₱203.15 million for the year-end 2013 level to ₱202.27 million. Capital deficiency as of the current year end further reduced to ₱48.6 million from ₱156.31 million as of December 31, 2013 principally due to the conversion of debts to related parties into equity and the full payment of new share subscriptions.

## Results of Operations

Operating results reflected a net loss of ₱1.27 million in 2014, as compared to 2013 that reported a net income of ₱8.4 million. The net loss mainly due to the ₱1.2 million payments of documentary stamp tax in relation to the issuance of shares for the conversion of advances to equity in April 2014, the ₱0.8 million payment of penalty to PSE for failure to comply submission of 2011 disclosures and the ₱0.87 million payment of listing fees covering 311, 784,711 shares on December 2014 This was partly offset by the rental income collected from the leased properties, collection of an account that was previously written off and proceeds from a sale of real property.

***Key Performance Indicators***

| | ***2014*** | ***2015*** | ***2016*** |
|---|---|---|---|
| Return on Asset (%) | 0 | (0.24%) | 0.21% |
| Return on Equity (%) | 0 | (0.03%) | (0.03%) |

1/ Return on assets (ROA) was computed based on the ratio of net income/ (net loss) to average assets.
2/ Return on equity (ROE) was computed based on the ratio of net income/ (net loss) to average equity.

## IV. Brief Description of the General Nature and Scope of the Business

The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963.

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. On October 1, 2003, the SEC approved the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company and to hold investments in the media industry. On March 4, 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange, Inc. approved the public listing of the Company's shares of stock. As at December 31, 2016 and 2015, 663,713,458 Company shares are publicly listed.

On September 12, 2002, the Company's assets and liabilities arising from its development bank operations were transferred to and assumed by Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2016 and 2015, the Company has liabilities arising from the MOA which pertain mainly to the estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities (see Note 9).

As at December 31, 2015, the Company's shareholders are RYM Business Management Corp. (RYM or Parent Company) (43%), Metro Tagaytay Land Company, Inc. (MTLCI) (31%) and Neo Oracle Holdings, Inc. (NOHI) (13%). In 2016, RYM acquired the common stock owned by MTLCI and NOHI but disposed of 21% of its ownership shares. As at December 31, 2016, RYM effectively owns 66% of the Company's common stock.

The financial statements of the Company as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 were approved and authorized for issuance by the Board of Directors (BOD) on April 10, 2017.

**Status of Operations**

The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its development bank operation to BDO and PDIC. Thus, the Company has continued to incur losses resulting to a capital deficiency of ₱85.7 million and ₱59.5 million as at December 31, 2016 and 2015, respectively. The stockholders, however, have continued to provide the necessary financial support to sustain Company operations. The stockholders converted their preferred stock of ₱34.2 million into common stock in 2016 and converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregating ₱179.0 million in 2014 and 2013 to reduce the capital deficiency. The Company is also considering to implement a quasi-reorganization to reduce the capital deficiency.

## V. DESCRIPTION OF PROPERTY

The Company has investment property located in Legazpi City, Albay, which are held for capital appreciation.

On December 31, 2016, the Company changed its measurement basis on investment properties from cost model to fair value model.

Fair Value Measurement

Investment properties are revalued periodically a fair values as determined by an independent firm of appraisers. The Latest appraisal report is at April 3, 2017. The fair value of the land amounted to P68.1 Million as of December 31, 2016 and P66.2 million as at December 31, 2015 and 2014, respectively. The fair value was determined based on valuation performed by independent and professionally qualified appraisers with a report dated April 3, 2017. The fair value measurement for investment properties has been categorized as level 3.

The composition of investment properties follows:

| | December 31 | | January 1 |
|---|---|---|---|
| | **2016** | 2015 (As restated - see Note 17) | 2015 (As restated - see Note 17) |
| Cost | **₱38,020,000** | ₱38,020,000 | ₱38,020,000 |
| Cumulative gain on fair value changes: | | | |
| Balance at beginning of year | **28,214,000** | 28,214,000 | – |
| Fair value change | **1,901,000** | – | 28,214,000 |
| Balance at end of year | **30,115,000** | 28,214,000 | 28,214,000 |
| | **₱68,135,000** | ₱66,234,000 | ₱66,234,000 |

The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot, time element and others.

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape, and time element. The price per square meter used for valuation ranges from PhP 15,000.00 to PhP 48,246.00 and from PhP 35,000.00 to PhP 40,000.00 as at December 31, 2016 and 2015, respectively.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment property taking into account the location and size. Value adjustment used is 30-40% and 5%-10% as of December 31, 2016 and 2015, respectively.

Average price index was arrived at PhP 35,000.0 to PhP37,000.00 per sq.m. and PhP 34,000.00 to PhP 36,000.00 as at December 31, 2016 and 2015, respectively.

## VI. Business Transactions with Related Parties

The Company as of December 31, 2016 and 2015 advances from its wholly-owned subsidiary and affiliate are as follows:

**Parent Company and Other Related Party**

| | Nature of | Amount of Transaction | | Outstanding Balance | |
|---|---|---|---|---|---|
| | Transaction | **2016** | 2015 | **2016** | 2015 |
| *Parent Company -* | | | | | |
| Due from (to) | Advances | **₱40,000,000** | (₱22,475) | **₱40,000,000** | (₱22,475) |
| | Management fee | **23,092,784** | 23,092,784 | **-** | - |
| | | | | **₱40,000,000** | (₱22,475) |
| *Under common control -* | | | | | |
| Bright Kindle Resources & Investments, Inc. | Rent expense | **₱-** | ₱898,598 | **₱-** | ₱- |

## VII. Employees

As of December 31, 2016, the Company has no regular employees.

## VIII. Plan of Operation

The Company has no significant operational activity since its primary purpose was changed from a development bank to a holding company in December 2002 other than those described in Item 1 above. There are no known trends, events or material commitments that are expected to have a material favorable or unfavorable impact on the financial condition or on income from continuing operations. The Company also signed subscription agreements with its major stockholders for a total proceeds of ₱179 million, of which ₱70 million was received in April 2013 and the balance of ₱109 million was collected in May and June 2014. This further bring down the capital deficit and will be the major source of funding for the expenses related to the transfer of the remaining assets to PDIC and BSP. Aside from the transfer of assets to PDIC and BSP, the Company continues to pursue the clean-up of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

## IX. Status of Operations

The Company has a capital deficiency of ₱93.00 million and ₱79.2 million as at June 30, 2016 and December 31, 2015, respectively. In April 2016 34.19 million shares were converted to 1.37 million common shares at a rate of 25:1, which resulted to a decreased in preferred stock by ₱34.19 million and increase in common stock by ₱1.37 million and increase in additional paid capital in excess of par by ₱32.82 million.

The Company is pursuing discussions with third party investors for additional capital.

## X. Dividends

The Company has not paid dividend for the years 2016 and 2015.

## XI. Legal Proceedings

In the normal course of operations, the Company is named a defendant in various legal actions, but it is the opinion of Management, that the ultimate liability, if any, from these cases will not seriously affect the Company. One of the cases which may affect the Company is the case of Bangko Sentral ng Pilipinas vs. Prime Media Holdings, Inc., docketed Civil Case No. 13130993 and pending before Branch 25, Regional Trial Court, City of Manila. The summary of the case is provided below.

Bangko Sentral ng Pilipinas (BSP) filed an action for Collection of a Sum of Money in the amount of ₱42, 487,770.23 representing alleged rental arrears under the (i) Contract of Lease with Option to Purchase ("Contract") between the BSP and PDCP Development Bank (PDCP Bank, which changes its name to First E-Bank Corporation or First E-Bank, now, Prime Medial Holdings, Inc. or PMHI) dated 14 January 2001; (ii) Agreement to Extend the Buyback Period of the Repurchased Properties ("Agreement of 2001") dated 30 July 2001 between the BSP and First E-Bank; and (iii) Renewal of Contract of Lease with Option to Purchase ("Agreement of 2002"), notarized on 8 January 2002.

In its Answer, PMHI interposed a defense that the Contracts on which the Complaint is based, are all void and inexistent violative of the General Banking Act, principle of mutuality of contracts as well as Articles 19, 20 and 21 of the Civil Code, and principle on unjust enrichment under Article 22 of the same Code. As counterclaim, PMHI is claiming the amount of One Hundred Forty Five Million Pesos (₱145,000,000.00) which was unilaterally forfeited by BSP.

The case is submitted for resolution of the court

Please see Note 16 of the attached AFS.

**Management Report for the period September 30, 2017**

The unaudited Financial Statement of Prime Media Holdings, Inc. as of September 30, 2017 and for nine months period ended September 30, 2017 and 2016 with comparative audited figure as of December 31, 2016 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Balance Sheets as of September 30, 2017 and December 31, 2016

| | **September 30, 2017 Unaudited** | December 31, 2016 Audited | September 30, 2017 vs. Dec. 31, 2016 | |
|---|---|---|---|---|
| | **(₱'000)** | (₱'000) | Amount Increase (decrease) (₱'000) | Percentage Increase (decrease) |
| Current assets | **₱40,882** | ₱48,027 | (₱7,145) | (14.88%) |
| Noncurrent assets | **69,996** | 68,432 | 1,564 | 2.29% |
| Total Assets | **₱110,878** | ₱116,459 | (₱5,579) | (4.79%) |
| Current Liabilities | **₱206,853** | ₱193,161 | ₱13,692 | 7.09% |
| Noncurrent Liability | **9,035** | 9,035 | - | - |
| | **215,888** | 202,196 | 13,692 | 6.77% |
| Stockholders' Equity | **(105,008)** | (85,737) | (19,271) | 22.48% |
| Total Liabilities and Stockholders' Equity | **₱110,878** | ₱116,459 | (₱5,579) | (4.79%) |

Summary of Income Statement for the nine months and three months period ended September 30, 2017 and September 30, 2016.

| | **For nine months ending Sept. 30** | | **For three months ending Sept. 30** | |
|---|---|---|---|---|
| | **2017 (₱'000)** | 2016 (₱'000) | **2017 (₱'000)** | 2016 (₱'000) |
| Revenues | **₱386** | ₱546 | **₱240** | ₱2 |
| Expenses | **19,658** | 21,486 | **(6,271)** | 7,205 |
| Loss before tax | **(19,272)** | (20,940) | **(6,031)** | (7,203) |
| Provision for income tax | **-** | - | **-** | - |
| Total comprehensive loss | **(₱19,272)** | (₱20,940) | **(₱6,031)** | (₱7,203) |

Summary of Statements of Cash Flows for nine months and three months period ended September 30, 2017 and September 30, 2016.

| | For nine months ending September 30 | | For three months ending September 30, | |
|---|---|---|---|---|
| | 2017 (₱'000) | 2016 (₱'000) | 2017 (₱'000) | 2016 (₱'000) |
| Cash provided (used) in operating activities | **₱8,598** | (₱70,169) | **₱10,475** | (₱1,389) |
| Cash used in investing activities | **(1,577)** | - | **(1,577)** | - |
| Cash at beginning | **2,702** | 73,225 | **825** | 4,445 |
| Cash at end of the quarter | **₱9,723** | ₱3,056 | **₱9,723** | ₱3,056 |

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation**

The company has not been actively operating other than the activities connected with the transfer of the Company's remaining assets to the Philippine Depositary Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP). The Company also continues to pursue the cleanup of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

**FINANCIAL CONDITION AND RESULTS OF OPERATION**

**Nine months ended September 30, 2017 compared with nine months ended September 30, 2016**

The results of operation for the nine months ended September 30, 2017 and September 30, 2016 were net loss of ₱21.67 million and ₱20.94 million, respectively or equivalent to ₱0.73 million or 0.03% decrease.

Significant changes in the income accounts for the three months ended September 30, 2017 versus the same period last year are as follows:

- Interest income decreased by ₱0.03 million or equivalent to 79% due to lower bank balance for this period.
- Recovery of asset previously written off is ₱0.17 million this period compared to ₱0.50 million last year.
- Rental income of ₱0.21 is recognized this period compared to nil last year.
- Professional fee decreased by ₱0.74 million or equivalent to 38%. The decrease pertains to payment of legal fees.
- Other Services decreased by ₱0.19 million or 25% is attributable in last year hiring of a courier company to facilitate the mailing to notice stockholders on annual meeting.
- Rent expense for the period is ₱0.044 million as compared to ₱0.317 million last year, as decreased of ₱0.271 million or equivalent to 86%. The decrease is mainly due to the lease contract was expired and not renewed this year.
- Taxes and licenses decreased by ₱0.13 million or equivalent to 46% mainly due to payment of documentary stamp tax in 2016.
- Other expenses decreased by ₱0.26 million or equivalent to 62% mainly due to last year bulk purchase of supplies and cost of photocopying of reports for stockholders on annual meeting.

**Three months ended September 30, 2017 compared with three months ended September 30, 2016**

The results of operation for the three months ended September 30, 2017 and September, 2016 were net loss of ₱6.03 million and ₱6.96 million, respectively or equivalent to 0.13% decrease.

Significant changes in the income accounts for the three months ended September 30, 2017 versus the same period last year are as follows:

- Interest income decreased by ₱0.25 million or equivalent to 99% due to no interest on bonds this period.
- Recovery of asset previously written off is ₱0.17 million this period compared to nil last year.
- Rental income of ₱0.70 is recognized this period compared to nil last year.
- Professional fees decreased by ₱0.25 million or equivalent to 45%. Higher payment on audit and legal fees last year.
- Taxes and licenses decreased by ₱0.098 million or equivalent to 100% mainly due payment of real estate tax last year.
- Other expenses decrease by ₱0.31 million or equivalent to 89% mainly due to last year bulk purchase of supplies and cost of photocopying of reports for stockholders on annual meeting.

STATEMENT OF FINANCIAL POSITION

The significant changes in the Statement of Financial Position accounts during the nine months ended September 30, 2017 versus the December 31, 2016 level are as follows:

Total assets stood at ₱110.88 million which is ₱5.58 million or 4.79% lower than the December 31, 2016 level. Significant changes were mainly due to the following:

- Cash increase by ₱7.02 million or 259.84% from ₱2.70 million as of December 31, 2016 to ₱9.72 million as of September 30, 2017. The increase mainly pertains to receipt from the sale of property.
- Due from parent company was collected ₱20 million or equivalent to 50% of the balance to RYM Business Corporation.
- Other currents assets increase by ₱5.77 million or equivalent to 714%. The increase is attributable to the prepayment of management fee to RYM Business Corporation for the period
- The increased in equipment is due to the purchased of transportation equipment.

The significant change on Liabilities during this interim period is due to unearned income.

The company has capital deficiency of ₱105.00 million and ₱85.74 million as of September 30, 2017 and December 31, 2016 respectively. An increased in capital deficiency of ₱19.27 million or equivalent to 22.48% pertains to net loss for the period.

STATEMENT OF CASH FLOWS

The net cash provided in operating activities amounted to ₱8.60 million for the nine months ended September 30, 2017 as compared to the same period last year amounted to ₱70.17 million. The increase in cash from operating activities is the net result of the following:

- Net loss generated during the nine months period.
- Collection of due from parent company
- Payment of management fee.
- Increase in accrued expenses.

The net effect of the foregoing operating activities, is an increase of ₱8.60 million and a balance of ₱9.72 million in cash as of September 30, 2017 as compared to a decrease of ₱70.17 million and a balance of ₱3.06 million as of September 30, 2016.

Horizontal and Vertical Analysis:

| | **Unaudited September 30, 2017 (₱'000)** | Audited 2016 (₱'000) | Increase(decrease) Amount (₱'000) | Percentage |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash on hand and in banks | **₱9,723** | ₱2,702 | ₱7,021 | 259.84% |
| Receivable | **4,577** | 4,516 | 61 | 1.35% |
| Due from Parent Company | **20,000** | 40,000 | (20,000) | (50.00)% |
| Other current assets | **6,582** | 809 | 5,773 | 713.71% |
| Total Current Assets | **40,882** | 48,027 | (7,145) | (14.88%) |
| **Noncurrent Assets** | | | | |
| Investment Property | **68,135** | 68,135 | - | - |
| Available-for-sale investment | **240** | 240 | - | - |
| Equipment (Net) | **1,621** | 57 | 1,566 | 2,734.49% |
| Total Noncurrent Assets | **69,996** | 68,432 | 1,566 | 2.29% |
| | **₱110,878** | ₱116,459 | (₱5,579) | (4.79%) |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accrued expenses and other current liabilities | **₱206,852** | ₱193,161 | ₱13,692 | 7.09% |
| **Noncurrent Liabilities** | | | | |
| Deferred tax liability | **9,034** | 9,034 | - | - |
| | **215,887** | 202,195 | 13,692 | 6.77% |
| **Equity** | | | | |
| Preferred Capital stock | **14,366** | 14,366 | - | - |
| Common Capital stock | **700,299** | 700,299 | - | - |
| Additional paid-in capital | **2,114,922** | 2,114,922 | - | - |
| Net unrealized gain on AFSI | **40** | 40 | - | - |
| Deficit | **(2,934,635)** | (2,915,363) | (19,272) | 0.66% |
| Total Equity | **(105,008)** | (85,736) | (19,272) | 22.48% |
| | **₱110,878** | ₱116,459 | (₱5,581) | (4.79%) |

## Corporate Governance

The Company adopted a manual on corporate governance, which details the standards by which it conducts sound corporate governance consistent with relevant laws and regulations.

Ultimate responsibility for the Company's adherence to its manual rests with its Board of Directors, and through three committees that are to be charged with oversight functions on specific areas of the Company's activities. The Audit Committee is charged with internal audit oversight over all of the Company's transactions. The Nomination Committee is charged with ensuring that those admitted as members of the Company's Board of Directors are qualified, as well as ensuring fair representation of independent directors in the Company's Board of Directors. Finally, the Compensation and Remuneration Committee is tasked to ensure that fair compensation practices are adhered throughout the organization.

In view however, of its current condition, the Company is not actively conducting business. Despite said absence of actual business operations, the Company is currently undergoing internal reorganization and in the processing of evaluating its compliance with its reporting obligations as a public company. As such, it is not in a position to fully comply with the provisions of the manual on corporate governance. Particularly, the company's Board of Directors and Committees do not meet regularly. There is likewise no Compensation Committee, in view of the fact that the Company's directors and officers currently do not receive compensation for serving as such. Notwithstanding the foregoing, the Company continues to endeavor towards internally reorganizing and evaluating its compliances to the rules applicable to it as a public company. Despite the status of the business operations of the Company, it has submitted to the Securities and Exchange Commission current reports (SEC Form 17-C) and quarterly (SEC Form 17-Q) and annual (SEC Form 17-A) reports to update the investing public of its financial and operational condition.

## Market Information

The closing market price of the Company's common stock in the Philippine Stock Exchange on 30 October 2017 is PhP 1.50.

The high and low prices for each quarter of 2016 and 2017 are provided below :

| | Price | |
|---|---|---|
| | Low | High |
| Q1 (2016) | 0.90 | 1.47 |
| Q2 (2016) | 1.25 | 1.84 |
| Q3 (2016) | 1.16 | 1.35 |
| Q4 (2016) | 1.13 | 1.54 |
| | | |
| Q1 (2017) | 1.01 | 1.26 |
| Q2 (2017) | 0.76 | 1.17 |
| Q3 (2017) | 0.92 | 1.65 |

The common shares of the Company is held by 1,603 shareholders of common shares and 267 shareholders of preferred shares. The list of the top 20 stockholders of the Company as of 30 October 2017 is attached herewith.

Other than the conversion of preferred shares to common shares as stated in page 13, the Company has no recent sales of unregistered or exempt securities or recent issuance of securities constituting an exempt transaction.

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER(S), THE CORPORATION UNDERTAKES TO FURNISH SAID STOCKHOLDER(S) WITH A COPY OF SEC FORM 17-A, FREE OF CHARGE, EXCEPT FOR THE EXHIBIT ATTACHED THERETO, WHICH SHALL BE CHARGED AT A COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED TO Atty. Diane Madelyn C. Ching at c/o Marcventures, 4th Floor Citibank Center Bldg., Paseo de Roxas, Makati City

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 29th day of November 2017.

*PRIME MEDIA HOLDINGS, INC.*

By:

**DIANE MADELYN C. CHING**
Corporate Secretary

Prime Media Holdings, Inc.
STOCK TRANSFER MODULE
List of Top 20 Stockholders
As of Oct 31, 2017



| RANK | STOCKHOLDER NAME | Common | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 670,494,553 | 670,494,553 | 95.744092 % |
| 2 | FIRST PRODUCERS HOLDINGS CORP. FAO RAY BURTON DEVELOPMENT CORPORATION | 6,175,789 | 6,175,789 | 0.881879 % |
| 3 | FIRST PRODUCERS HOLDINGS CORP. FAO PRODUCERS PROPERTIES INC. | 4,903,852 | 4,903,852 | 0.700252 % |
| 4 | RAY BURTON DEVELOPMENT CORPORATION | 3,213,293 | 3,213,293 | 0.458846 % |
| 5 | PRODUCERS PROPERTIES, INC. | 3,013,701 | 3,013,701 | 0.430345 % |
| 6 | MERCANTILE INVESTMENT COMPANY, INC. | 1,585,989 | 1,585,989 | 0.226473 % |
| 7 | PCD NOMINEE CORPORATION (FOREIGN) | 1,345,836 | 1,345,836 | 0.192180 % |
| 8 | ALBERT DEL ROSARIO ITF ANTHONY SALIM | 1,289,279 | 1,289,279 | 0.184104 % |
| 9 | ERNESTO B. LIM | 880,000 | 880,000 | 0.125661 % |
| 10 | LUCIO W. YAN &/OR CLARA YAN | 600,000 | 600,000 | 0.085678 % |
| 11 | JOEL B. VARGAS | 534,876 | 534,876 | 0.076378 % |
| 12 | MERLENE SO &/OR SO PENG KEE | 239,000 | 239,000 | 0.034128 % |
| 13 | MARIA T. UY | 211,200 | 211,200 | 0.030159 % |
| 14 | JOSE YU GO, JR. | 210,000 | 210,000 | 0.029987 % |
| 15 | JOVY LIM GO | 150,000 | 150,000 | 0.021419 % |
| 16 | QUE LU KIONG | 150,000 | 150,000 | 0.021419 % |
| 17 | RUFINO H. ABAD | 142,011 | 142,011 | 0.020279 % |
| 18 | LUCIANO H. TAN | 139,600 | 139,600 | 0.019934 % |
| 19 | LEONARDO NAVALTA | 132,294 | 132,294 | 0.018891 % |
| 20 | LAMBERTO C. DIZON &/OR ERLINDA V. DIZON | 127,860 | 127,860 | 0.018258 % |
| | | 695,539,133 | 695,539,133 | 99.320364 % |

TOTAL NO. OF SHARES : 700,298,616
TOTAL NO. OF DISTINCT STOCKHOLDERS : 1,603
TOTAL NO. OF ACCOUNTS : 1,603

Prime Media (Preferred)
STOCK TRANSFER MODULE
List of Top 20 Stockholders
As of Oct 31, 2017



| RANK | STOCKHOLDER NAME | Preferred | TOTAL SHARES | % OF O/S |
|---|---|---|---|---|
| 1 | FLORENTINO L. MARTINEZ | 907,340 | 907,340 | 6.315770 % |
| 2 | CARLOS TORRES | 800,000 | 800,000 | 5.568603 % |
| 3 | MDI EMPLOYEES RETIREMENT PLAN | 610,450 | 610,450 | 4.249192 % |
| 4 | METROLAB EMPLOYEES RETIREMENT PLAN | 545,040 | 545,040 | 3.793889 % |
| 5 | HELENA LLEREZA | 529,810 | 529,810 | 3.687877 % |
| 6 | HPPI EMPLOYEES RETIREMENT PLAN | 500,000 | 500,000 | 3.480377 % |
| 7 | E. CHUA CHIACO SEC., INC. | 449,640 | 449,640 | 3.129833 % |
| 8 | CITISECURITIES, INC. | 403,000 | 403,000 | 2.805184 % |
| 9 | WEALTH SECURITIES INC. | 402,000 | 402,000 | 2.798223 % |
| 10 | VIRGINIA U. NG | 344,470 | 344,470 | 2.397771 % |
| 11 | PNB SECURITIES, INC. | 300,280 | 300,280 | 2.090175 % |
| 12 | TATO A. JOHAN | 300,000 | 300,000 | 2.088226 % |
| 13 | BANCO DE ORO TRUST BANKING GROUP FAO MIRIAM COLLEGE FOUNDATION INC. EMPLOYEES | 280,000 | 280,000 | 1.949011 % |
| 14 | ANTONIO R. SAMSON | 250,000 | 250,000 | 1.740188 % |
| 15 | SEGUNDO SEANGIO | 244,000 | 244,000 | 1.698424 % |
| 16 | DIVERSIFIED SEC., INC. | 218,080 | 218,080 | 1.518001 % |
| 17 | ANTONIO ALIPIO | 218,000 | 218,000 | 1.517444 % |
| 18 | TERESITA C. COMETA | 210,000 | 210,000 | 1.461758 % |
| 19 | EASTERN SECURITIES DEVELOPMENT CORPORATION | 196,340 | 196,340 | 1.366674 % |
| 20 | VIRGINIA U. NG | 183,130 | 183,130 | 1.274723 % |
| | | 7,891,580 | 7,891,580 | 54.931346 % |

TOTAL NO. OF SHARES : 14,366,260
TOTAL NO. OF DISTINCT STOCKHOLDERS : 267
TOTAL NO. OF ACCOUNTS : 267

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Johnny Y. Aruego, Jr.**, Filipino, of legal age and a resident of No. 167 Libra Street, Cinco Hermanos Subdivision, Marikina City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of PRIME MEDIA HOLDINGS, INC. for its board meeting on 11 December 2017.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| Aruego Bite and Associates | Partner | Since 2001 |
| Lorenzana Food Corporation | Corporate Secretary and/or Legal Consultant | Since 2012 |
| A.V. Ocampo-ATR Kimeng Insurance Broker, Inc. | Corporate Secretary and/or Legal Counsel | Since 2011 |
| East Offices Realty and Management Co., Inc. | Legal Counsel | Since 2012 |
| National Steel Corporation | Legal Consultant | Since 2006 |
| PET Plans, Inc. | Assistant Rehabilitation Receiver | Since 2006 |
| Advent Capital and Finance Corporation | Assistant Liquidator | Since 2001 |
| Bacnotan Steel Industries, Inc. | Assistant Liquidator | Since 2003 |
| East Asia (AEA) Capital Corporation | Assistant Liquidator | Since 2009 |
| Reynolds Philippines Corporation | Assistant Liquidator | Since 2005 |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PRIME MEDIA HOLDINGS, INC., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of PRIME MEDIA HOLDINGS, INC. and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of PRIME MEDIA HOLDINGS, INC. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this NOV 2 9 2017 day of _____, at MAKATI CITY.

JOHNNY Y. ARUEGO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this NOV 2 9 2017 day of _____ at MAKATI CITY affiant personally appeared before me and exhibited to me his Driver's License No. NO1-87-048565 expiring on 03 February 2019.

Doc. No. 390;
Page No. 79;
Book No. 206;
Series of 2017.

ATTY. VIRGILIO R. PATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-09
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0010333-4/10/13
I.B.P O.R No. 760762, LIFETIME MEMBER JAN. 29,2007
PTR No. 590-Su-32 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

REPUBLIC OF THE PHILIPPINES )
CITY OF PASAY ) S.S.

## SECRETARY'S CERTIFICATE

I, **CHRISTOPHER SAM S. SALVADOR**, of legal age, Filipino with office address at 6/F Pacific Star Building Makati Ave cor. Sen. Gil Puyat Ave. Makati City 1227, Philippines, after having been duly sworn to in accordance with law, hereby depose and state that:

1. I am the duly elected and qualified Assistant Corporate Secretary of PRIME MEDIA HOLDINGS, INC. (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office at 16th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

2. I hereby certify that none of the Corporation's Regular Directors, Independent Directors and Officers are appointed or employed in any government agency.

IN WITNESS WHEREOF, this Certificate was signed and issued this 24rd day November 2017 at Makati City, Philippines.

**CHRISTOPHER SAM S. SALVADOR**
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this NOV 24 2017 day of November 2017 at CITY OF PASAY affiant exhibited to me his/her _____ valid until _____

Doc. No. 34
Page No. 7
Book No. II
Series of 2017

Notary Public

ATTY. HENRY P. ADASA
NOTARY PUBLIC FOR CITY OF PASAY
UNTIL DECEMBER 31, 2017
NOTARIAL COMMISSION NO. 17-23
UNIT B 2 21 BLOCK 1 [illegible] CITY
AVE. COR. [illegible]
IBP NO. [illegible]
PTR NO. [illegible]
MCLE COMPLIANCE NO. [illegible]
ROLL OF ATTORNEYS NO. 29569
TIN: 172 [illegible]

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, Francisco L. Layug, III, Filipino, of legal age and a resident of 12 F. Bernabe St., Merville Park Subdivision, Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Prime Media Holdings, Inc. for its board meeting on 21 December 2017.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|---|---|---|
| Rotary Club of Pasay | President-Elect | 2017-2018 |
| University of the Philippines Electronics and Electrical Engineering Alumni Association, Inc. (UPEEEAAI) | President | 2010-2011 |
| Alay-Lakad Foundation | Vice President | 2009-2010 |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Prime Media Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of Prime Media Holdings, Inc. and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Prime Media Holdings, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this _____ day of NOV 29 2017, at MAKATI CITY.

**Francisco L. Layug, III**
Affiant

NOV 29 2017

SUBSCRIBED AND SWORN to before me this _____ day of _____ at MAKATI CITY affiant personally appeared before me and exhibited to me his/her TIN # 112-818-166 issued at _____ on _____.

Doc. No. 39;
Page No. 50;
Book No. 706;
Series of 2017.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. 83-83
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 700762, LIFETIME MEMBER JAN. 29,2007
PTR NO. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

MINUTES OF THE ANNUAL SHAREHOLDERS' MEETING
OF
PRIME MEDIA HOLDINGS, INC.
Held at Metroclub, Rockwell,
Guadalupe Viejo, Makati City
On 25 October 2016 at 9:30 am

| STOCKHOLDERS PRESENT | NUMBER OF SHARES | PERCENTAGE |
|---|---|---|
| Stockholders represented by proxies | 560,534,013 | 80.04% |
| Stockholders represented in person | 2,003 | 0.000000281% |
| Total number of shares present in present and represented by proxy | 560,536,016 | 80.04% |
| Total Shares and Outstanding | 700,298,616 | 100% |

**DIRECTORS PRESENT:**

Manolito A. Manalo
Bernadeth A. Lim
Juan Victor S. Valdez
Diane Madelyn Ching
Johnny Y. Aruego, Jr. (Independent Director)
Edgardo E. Tumangan (Independent Director)

**DIRECTOR ABSENT**

Monica Isabelle I. Villanueva

**OTHERS PRESENT:**

Atty. Christopher Sam Salvador

## I. CALL TO ORDER

The Chairman, Atty. Manolito A. Manalo, called the meeting to order and presided over the same. Atty. Diane Madelyn C. Ching, the Assistant Corporate Secretary, recorded the minutes of the meeting.

## II. PROOF OF NOTICE OF MEETING AND CERTIFICATION OF QUORUM

The Chairman inquired with the Assistant Corporate Secretary whether proper notices of the meeting were sent to the stockholders of record of the Corporation and whether there is quorum to proceed with the meeting. The Assistant Corporate Secretary certified that the notice of the meeting has been sent to each stockholder of record as of 23 September 2016. She further certified that out of the total issued and outstanding capital stock of the Corporation, there are present in person or by proxy, holders of 560,536,016 shares of stock entitled to vote,

representing an attendance of 80.04% percent, which is more than two thirds (2/3) of the total issued and outstanding capital stock of the Corporation. Therefore, there exists quorum to transact business at hand.

## III. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

The Chairman stated that the first item in the Agenda is the reading and approval of the minutes of the last stockholders meeting held on 22 December 2015. Atty. Diane Madelyn C. Ching, the Assistant Corporate Secretary, stated that during the annual stockholders meeting held on 22 December 2015, the shareholders performed the following actions: 1.) Approved the Management Report and Audited Financial Statements for the year 2014; 2.) Ratified and Approved the Corporate Acts; 3.) Elected the Board of Directors for the ensuing year; and 4.) Appointed Reyes Tacandong & Co. as External Auditor.

Upon motion duly made and seconded, the shareholders approved the minutes of the annual shareholders meeting held on 22 December 2015. *viz*:

> "**RESOLVED**, as it is hereby resolved, that the minutes of the annual stockholders meeting held on 22 December 2015 be approved."

## IV. APPROVAL OF THE MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

The President, Manolito A. Manalo, presented to the shareholders the financial highlights resulting from the Company's operation in 2015. He stated that the Company has been transferring assets to Philippine Deposit Insurance Corporation pursuant to the Memorandum of Agreement in 2002. He stated that copies of the Audited Financial Statements for the year ended 31 December 2016 and up to the third quarter report for the period ended 31 September 2016 were earlier distributed for the perusal of the shareholders. After discussions, upon motion duly made and seconded, the shareholders noted the President's report and approved the Audited Financial Statement as circulated.

## V. RATIFICATION OF THE ALL ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT FOR THE YEAR 2016

The Chairman likewise stated that the next item in the agenda is the ratification of all the actions of the Board of Directors and management from the last stockholders meeting up to the present. Upon motion duly made and seconded, the shareholders approved the actions of the Board of Directors and management from the last stockholders meeting up to the present. The following resolution was adopted:

> "**RESOLVED**, as it is hereby resolved, that all actions of the directors and officers of the Corporation so taken be approved, ratified, and confirmed as of the respective dates when such actions were taken."

## VI. ELECTION OF DIRECTORS

The Chairman then proceeded to the election of directors of the Company. There are seven (7) seats to be filled including two (2) seats for independent directors. The Nominations Committee has nominated the following directors:

**Regular Directors:**
Manolito A. Manalo
Bernadeth A. Lim
Monica Isabelle I. Villanueva
Juan Victor S. Valdez
Diane Madelyn C. Ching

**Independent Directors:**
Johnny Y. Aruego, Jr.
Edgardo E. Tumangan

Thereafter, it was moved, seconded, and unanimously resolved to close the nominations. There being only seven (7) nominees to the position of seven (7) directors, the Assistant Corporate Secretary was directed and authorized to cast all votes of the stockholders present or represented at the meeting equally among all the seven (7) nominees. The Chairman, therefore, declared the seven (7) nominees as the duly elected members of the Board of Directors for the current term to act as such until their successors are duly elected and qualified in accordance with the By-Laws.

## VII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman stated that the next item is the appointment of the Corporation's external auditor. The Audit Committee has recommended the appointment of Reyes Tacandong & Co. as the Company's external auditor.

Upon motion duly made and seconded, the shareholders appointed the auditing firm of Reyes Tacandong & Co. as the Company's external auditor for the year. The following resolution was adopted:

> "**RESOLVED**, as it is hereby resolved, that Reyes Tacandong & Co., be appointed as the Corporation's external auditor for the year."

## VIII. OTHER MATTERS AND ADJOURNMENT

### a. Conversion of Preferred Shares to Common Shares

The Chairman informed the shareholders that the Board of Directors of the Company approved the conversion of the preferred shares into common shares at the ratio of 25 preferred shares is to 1 common share. In this regard, the management seeks re-affirmation and ratification from the shareholders to continue the implementation of the conversion. Thereupon, upon motion duly made and seconded, the shareholders re-affirmed and ratified the previous resolution to convert the preferred shares into common shares at the ratio of 25:1, viz:

> "**RESOLVED**, as it is hereby resolved, that the Corporation be authorized, to continue the implementation of the previous resolution to convert the preferred shares into common shares at the ratio of 25:1."

**b. Questions from the stockholders**

The Chairman opened the floor for the stockholders to raise any questions and/or concerns. One of the stockholders inquired on the expenses incurred by the management.

Atty. Diane Madelyn Ching responded that the expenses cover payment for services of RYM pursuant to a management agreement as well as other activities undertaken by the Company to complete the transfer of asset to PDIC which is necessary to clean-up the Company.

**c. Adjournment.**

There being no other matters, the meeting was adjourned.

*Prepared by:*

**ATTY. DIANE MADELYN C. CHING**
*Assistant Corporate Secretary/ Director*

*Attested by:*

**MANOLITO A. MANALO**
*Chairman/President*

**BERNADETH A. LIM**
*Director/Vice President*

**JUAN VICTOR S. VALDEZ**
*Director*

**JOHNNY Y. ARUEGO, JR.**
*Independent Director*

**EDGARDO E. TUMANGAN**
*Independent Director*

**COVER SHEET**

| 2 | 2 | 4 | 0 | 1 | | | | | |
|---|---|---|---|---|---|---|---|---|---|

S.E.C. Registration Number

| P | R | I | M | E | | M | E | D | I | A | | H | O | L | D | I | N | G | S | , | | I | N | C | . | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ( | f | o | r | m | e | r | l | y | | F | i | r | s | t | | e | - | B | a | n | k | | C | o | r | p | . | ) |

(Company's Full Name)

| 1 | 6 | t | h | | F | l | o | o | r | | C | i | t | i | b | a | n | k | | T | o | w | e | r | , |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8 | 7 | 4 | 1 | | P | a | s | e | o | | d | e | | R | o | x | a | s | , | | | | | | |
| M | a | k | a | t | i | | C | i | t | y | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | |

(Business Address: No. Street/City/Province)

| ROLANDO S. SANTOS |
|---|

Contact Person

| 831-4479 |
|---|

Company Telephone Number

| 1 | 2 |
|---|---|

*Month*

| 3 | 1 |
|---|---|

*Day*

Fiscal Year

| SEC 17-A |
|---|

FORM TYPE

| 0 | 5 | | |
|---|---|---|---|

*Month* *Day*

Annual Meeting

| N/A |
|---|

Secondary License Type, If Applicable

| | | |
|---|---|---|

Dept. Requiring this Doc.

| |
|---|

Amended Articles Number/Section

Total Amount of Borrowings

| |
|---|

Total No. of Stockholders

| nil |
|---|

Domestic

| |
|---|

Foreign

---

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|

File Number

LCU

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Document I.D.

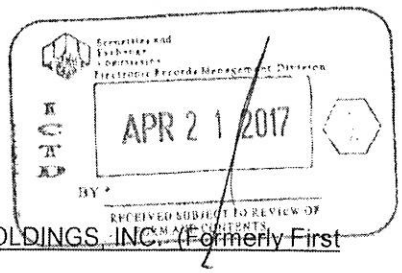
Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES




1. For the fiscal year ended December 31, 2016

2. SEC Identification Number 22401

3. BIR Tax Identification No. 000-491-007

4. Exact name of issuer as specified in its charter PRIME MEDIA HOLDINGS, INC. (Formerly First e-Bank Corporation)

5. Manila
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. 16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City 1227
Address of principal office Postal Code

8. (632) 831-4479
Issuer's telephone number, including area code

9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Preferred stock, PHP 1.00 par value | 14,366,260 |
| Common Stock, Php 1.00 par value | 700,298,616 |

11. Are any or all of these securities listed on a Stock Exchange?

Yes [X] No [ ]

Philippine Stock Exchange

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No [ ]

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates is 104,563,524 representing 14.93% of the outstanding common shares is Pesos 128,766,034.44 million computed on the basis of the closing price as of March 31, 2017 of Pesos 1.01 per share.

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## PART I - BUSINESS AND GENERAL INFORMATION

### (A) Description of Business

### Item 1. Business Development

Prime Media Holdings, Inc. (PRIM) was originally incorporated on February 6, 1963 as Private Development Corporation of the Philippines and then changed to PDCP Development Bank, Inc. that same year. On June 6, 2000, the Company changed its name to First e-Bank Corporation and then eventually shifted to its current name on October 20, 2003.

In 2002, Banco de Oro Unibank, Inc. assumed the servicing of PRIM's deposit liabilities and other banking functions. On December 6, 2002, the Board of PRIM approved the amendment of its articles of incorporation to change to primary purpose from a development bank to a holding company, which would hold investments in the media industry.

On January 26, 2013, the Board of Directors (BOD) approved the amendment in its articles of incorporation (AOI) extending the corporate life of PRIM by another 50 years up to February 6, 2063. The Stockholders of the Company approved and ratified the amendment in a special stockholders' meeting on February 4, 2013. On February 5, 2013, the Company filed the amended AOI with the Securities and Exchange Commission (SEC) and SEC approval was obtained last March 4, 2013.

On March 2, 2015, the SEC approved the change of principal office address from 3 San Antonio Street, Barrio Kapitolyo, Pasig City to 16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City.

In view of the very minimal operations, the Company gradually retired all its employees by 2010 and engaged consultants/service providers to service its requirements.

### Item 2. Properties

Practically all the properties of the Company while it was still a bank consisting of bank premises (land, buildings and leasehold rights) and real estate acquired through dacion and foreclosure were conveyed to BDO/PDIC. There are certain properties which remains as investment properties which are primarily to finance the operating expenses of the Company. Please refer to Note 7 of the 2016 Audited Financial Statements (AFS).

### Item 3. Legal Proceedings

Considering the Company's previous operation, the Company was named defendant in various legal actions. One of the cases which may affect the Company is the case of Bangko Sentral ng Pilipinas vs. Prime Media Holdings, Inc., docketed Civil Case No. 13130993 and pending before Branch 25, Regional Trial Court, City of Manila. The summary of the case is provided below.

Bangko Sentral ng Pilipinas (BSP) filed an action for Collection of a Sum of Money in the amount of ₱42,487,770.23 representing alleged rental arrears under the (i) Contract of Lease with Option to Purchase ("Contract") between the BSP and PDCP Development Bank (PDCP Bank, which changes its name to First E-Bank Corporation or First E-Bank, now, Prime Medial Holdings, Inc. or PMHI) dated 14 January 2001; (ii) Agreement to Extend the Buyback Period of the Repurchased Properties ("Agreement of 2001") dated 30 July 2001

between the BSP and First E-Bank; and (iii) Renewal of Contract of Lease with Option to Purchase ("Agreement of 2002"), notarized on 8 January 2002.

In its Answer, PMHI interposed a defense that the Contracts on which the Complaint is based, are all void and inexistent violative of the General Banking Act, principle of mutuality of contracts as well as Articles 19, 20 and 21 of the Civil Code, and principle on unjust enrichment under Article 22 of the same Code. As counterclaim, PMHI is claiming the amount of One Hundred Forty Five Million Pesos (₱145,000,000.00) which was unilaterally forfeited by BSP.

The parties have submitted their formal offer of evidence.

Please see Note 14 of the attached 2016 AFS.

**Item 4. Submission of Matters to a Vote of Security Holders**

During the Annual Shareholders' Meeting held last 25 October 2016, the following were submitted for approval of the shareholders:

1. Call to order
2. Certification of Quorum
3. Approval of Minutes of the previous meeting
4. Approval of Management Report and Audited Financial Statements
5. Ratification of Management's Act
6. Election of Directors
7. Appointment of External Auditor
8. Other matters
    - Re-affirmation of the previous resolution of the shareholders to convert the preferred shares into common shares at the ratio of 25 preferred shares to 1 common share.
9. Adjourment

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

**Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

**(1) Market information**

The total number of outstanding shares of record as of December 31, 2016 is 700,298,616 of which 663,713,458 is actively being traded in the Philippine Stock Exchange. The high and low sales prices in pesos for each quarter within the last three fiscal years 2014 to 2016 are given below:

| Year | Quarter | High | Low |
|---|---|---|---|
| 2014 | 1st | 2.15 | 1.40 |
| | 2nd | 2.00 | 1.66 |
| | 3rd | 1.99 | 1.67 |
| | 4th | 1.70 | 1.25 |
| 2015 | 1st | 1.62 | 1.30 |
| | 2nd | 1.68 | 1.30 |
| | 3rd | 1.40 | 1.08 |
| | 4th | 1.67 | 1.10 |
| 2016 | 1st | 1.47 | 0.90 |

| Year | Quarter | High | Low |
|---|---|---|---|
| | 2nd | 1.84 | 1.25 |
| | 3rd | 1.35 | 1.16 |
| | 4th | 1.54 | 1.13 |

**(2) Holders of Securities**

Common Shareholders

The number of common shareholders on record as of December 31, 2016 is 1,608.The list of the top twenty common shareholders as of December 31, 2016 is provided below:

| | Name of Stockholders | No. of shares | %age of ownership |
|---|---|---|---|
| 1 | PCD Nominee Corporation (Filipino) | 670,718,882 | 95.78 |
| 2 | First Producers Holdings, Corp. FAO Ray Burton Dev't Corporation | 6,175,789 | 0.88 |
| 3 | First Producers Holdings, Corp. FAO Producers Properties, Inc. | 4,903,852 | 0.70 |
| 4 | Ray Burton Development Corporation | 3,213,293 | 0.46 |
| 5 | Producers Properties, Inc. | 3,013,701 | 0.43 |
| 6 | Mercantile Investment Company, Inc. | 1,585,989 | 0.23 |
| 7 | Albert Del Rosario ITF Anthony Salim | 1,289,279 | 0.18 |
| 8 | PCD Nominee Corporation (Foreign) | 1,063,335 | 0.15 |
| 9 | Ernesto B. Lim | 880,000 | 0.13 |
| 10 | Lucio W. Yan &/or Clara Yan | 600,000 | 0.09 |
| 11 | Joel B. Vargas | 534,876 | 0.08 |
| 12 | Merlene So &/or So Peng Kee | 239,000 | 0.03 |
| 13 | Maria T. Uy | 211,200 | 0.03 |
| 14 | Jose Yu Go, Jr. | 210,000 | 0.03 |
| 15 | Jovy Lim Go | 150,000 | 0.02 |
| 16 | Qeu Lu Kiong | 150,000 | 0.02 |
| 17 | Rufino H. Abad | 142,011 | 0.02 |
| 18 | Luciano H. Tan | 139,600 | 0.02 |
| 19 | Leonardo Navalta | 132,294 | 0.02 |
| 20 | Lamberto C. Dizon &/or Erlinda V. Dizon | 127,860 | 0.02 |

Preferred Shareholders

The number of preferred shareholders of record as of December 31, 2016 was 267. Preferred shares outstanding as of December 31, 2016 were 14,366,260. The top twenty shareholders are as follows:

| | Name of Stockholders | No. of shares | %age of ownership |
|---|---|---|---|
| 1 | Florentino L. Martinez | 907,340 | 6.32% |
| 2 | Carlos Torres | 800,000 | 5.57% |
| 3 | MDI Employees Retirement Plan | 610,450 | 4.25% |
| 4 | Metrolab Employees Retirement Plan | 545,040 | 3.79% |
| 5 | Helena Llereza | 529,810 | 3.69% |
| 6 | HPPI Employees Retirement Plan | 500,000 | 1.03% |
| 7 | E. Chua Chiaco Sec., Inc. | 449,640 | 3.13% |
| 8 | Citi Securities Inc. | 403,000 | 2.81% |
| 9 | Wealth Securities, Inc. | 402,000 | 2.80% |
| 10 | Virginia U. Ng | 344,470 | 2.40% |
| 11 | PNB Securities Inc. | 300,280 | 2.09% |
| 12 | Tato A. Johan | 300,000 | 2.09% |
| 13 | BDO Trust Banking Group Fao Miriam College Foundation Inc. Employees | 280,000 | 1.95% |
| 14 | Antonio R. Samson | 250,000 | 1.74% |
| 15 | Segundo Seangio | 244,000 | 1.70% |
| 16 | Diversified Sec., Inc. | 218,080 | 1.52% |
| 17 | Antonio Alipio | 218,000 | 1.52% |
| 18 | Teresita Cometa | 210,000 | 1.46% |
| 19 | Eastern Securities Devt. Corp. | 196,340 | 1.37% |
| 20 | Virginia U. Ng | 183,130 | 1.27% |

**(3) Dividends**

There were no dividends declared.

**(4) Recent Sales of Unregistered or exempt Securities**

On April 6, 2013, the BOD approved the conversion of advances from Neo Oracle Holdings, Inc. (NOHI) and Metro Tagaytay Land Co. Inc. (MTLCI) amounting to ₱119.7 million and ₱480.8 million, respectively, into 47,861,410 common shares and 192,323,360 common shares, respectively, at stipulated conversion price of ₱2.50 per common share.

On the same date, the BOD entered into a subscription agreement with NOHI and MTLCI for ₱179.0 million or 71.6 million common shares with an issue price of ₱2.50 per share. The Company received the minimum subscription price amounting to ₱70.0 million which was used by the Company to pay its loan with BDO. During May and June 2014, NOHI and MTLCI fully paid their subscriptions with the payment of the ₱109 million balance.

As of December 31, 2014, the Company issued 311,784,770 shares to NOHI and MTLCI as a result of the conversion of advances and subscription agreement. The listing of the said shares was approved by the PSE on December 15, 2014.

**Item 6. Management's Discussion and Analysis or Plan of Operation.**

The Company has not been actively operating since its primary purpose was changed from a development bank to a holding company in December 2002 other than the continuing activities described in Part I A (1). There are no known trends, events or material commitments that are expected to have a material favorable or unfavorable impact on the financial condition or on income from continuing operations. The Company also signed subscription agreements with its major stockholders for a total proceeds of ₱179 million, of which ₱70 million was received in April 2013 and the balance of ₱109 million was collected in May and June 2014. This further bring down the capital deficit and will be the major source of funding for the expenses related to the transfer of the remaining assets to PDIC and BSP. Aside from the transfer of assets to PDIC and BSP, the Company continues to pursue the clean-up of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

The Company is still exploring for a new business. Its current activities comprise mainly of transferring asset related to its development bank operation to BDO & PDIC. Thus, the company has continued to incur losses resulting to a capital deficiency of ₱87.1 million and ₱59.5 million as at December 31, 2016 and 2015, respectively. The Stockholders, however, have continued to provide the necessary financial support to sustain company operations. The stockholders converted their preferred stock of ₱48.6 million into common stock in 2016 and converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregate ₱119.0 million in 2014 and 2013 to reduce capital deficiency.
The Company is considering the implementation of a Quasi reorganization to reduce capital deficiency.

**Explanations for the material changes in the Company's accounts between 2016 and 2015 are as follows:**

**Statement of Financial Position**

The total Assets of the Company decreased by ₱28.54 Million or equivalent to 19.68% from ₱145.00 Million in 2015 to ₱116.46 Million in 2016. The significant changes were mainly due to the following:

- Cash decreased significantly from ₱73.23 million as of December 31, 2015 to ₱2.70 million as of December 31, 2016, a decrease of ₱70.53 million or equivalent to 96.31% pertains mainly to the payment of administrative expenses and advances made to RYM Business Management Corporation. The advances were subsequently collected in 2017.

- Due from Parent Company increased significantly by ₱40.00 million or equivalent to 100.00% pertains to the advances made to RYM Business Management Corporation.

- The company incurred a net loss of ₱26.27 million in 2016 which resulted to decrease in the total stockholder's equity.

**Results of Operations**

Operating results reflected a net loss of ₱26.27 million in 2016, ₱4.32 million or equivalent to 14.42% lower as compared to 2015 reported net loss of ₱30.76 million. The significant changes were mainly due to the following:

- Outside services decreased from ₱2.09million in 2015 to ₱1.09 million in 2016, ₱1.00 million or equivalent to 47.59% decrease primarily due to the payment of appraisal fee for the appraisal on the properties of the Company in 2015.
- Taxes and licenses decreased from ₱1.57 million in 2015 to ₱0.65 million in 2016, 58.19% in due to payment of real property tax.
- Rent decreased by ₱0.97 million or equivalent to 78.12% due to termination of rental contract for office space used in 2015.
- Other expenses decreased by ₱1.20 million mainly due to last year's loss on litigation on the "China Banking Corporation vs. Plasko Trading Inc. and PDCP Development Bank (now Prime Media Holdings, Inc.)", under Civil Case No. 95-72847, RTC Manila, Branch 17.

**Explanations for the material changes in the Company's accounts between 2015 and 2014 are as follows:**

**Statement of Financial Position**

The total Assets of the Company decreased by ₱36.89 Million or equivalent to 24.00% from ₱181.89 Million in 2014 to ₱145.00 Million in 2015. The significant changes were mainly due to the following:

- Cash decreased significantly from ₱110.05 million as of December 31, 2014 to ₱73.23 million as of December 31, 2015, a decrease of ₱36.82 million or equivalent to 33.46% pertains mainly to payment of liabilities and administrative expenses.

- Receivables decreased from ₱4.65 million as of December 31, 2014 to ₱4.38 million as of December 31, 2015, a decrease of ₱0.27 million or equivalent to 5.81% mainly due to the collection of the subleased property rent.

- The company incurred a net loss of ₱30.70 million in 2015 which resulted to decrease in the total stockholder's equity by ₱30.60 million.

**Results of Operations**

Operating results reflected a net loss of ₱30.70 million in 2015, ₱29.48 million or equivalent to 2,483.85% higher as compared to 2014 reported net loss of ₱1.27 million. The significant changes were mainly due to the following:

- The company entered into management agreement with RYM Business Management Corporation for a Management services amounting to ₱23.1 million.
- Professional fee increased from ₱0.46 million to ₱2.51 million in 2015 or equivalent to 451.99% due to monthly legal fees paid for the cases handled.
- Outside services increased from ₱1.61 million in 2014 to ₱2.09 million in 2015, ₱0.47 million or equivalent to 29.38% decrease primarily due to payment of appraisal fee for the appraisal on the properties of the Company amounting to ₱1.15 million.
- Taxes and licenses increased from ₱1.36 million in 2014 to ₱1.57 million in 2015, 14.86% in due to payment of real property tax.

- Rent increased by ₱0.62 million or equivalent to 98.52% due to payment of office rental, storage and warehouse charges.
- Other expenses increased by ₱1.30 million mainly due to loss on litigation on the "China Banking Corporation vs. Plasko Trading Inc. and PDCP Development Bank (now Prime Media Holdings, Inc.)", under Civil Case No. 95-72847, RTC Manila, Branch 17.

**Explanations for the material changes in the Company's accounts between 2014 and 2013 are given below:**

**Statement of Financial Position**

Total assets of the Company stood at ₱153.67 million which is ₱106.8 million or 228% higher than the previous year. The significant changes were mainly due to the following:

- Cash increased significantly from ₱3.27 million as of December 31, 2013 to ₱110.05 million as of December 31, 2014 mainly due to the receipt of ₱109 million representing full payment of the stock subscription of two major stockholders, NOHI and MTLCI.

- Loans and receivables increased by 6% mainly due to the accrual of the subleased property rent for the month of November and December 2014.

- Other current assets decreased by 17% as prepaid rent representing rent for the year 2014 on a subleased property was converted into expense.

Total liabilities as of December 31, 2014 which mainly pertains to accruals for taxes and registration fees and payables to BDO, PDIC and PDIC almost remained constant from the ₱203.15 million for the year-end 2013 level to ₱202.27 million. Capital deficiency as of the current year end further reduced to ₱48.6 million from ₱156.31 million as of December 31, 2013 principally due to the conversion of debts to related parties into equity and the full payment of new share subscriptions.

**Results of Operations**

Operating results reflected a net loss of ₱1.27 million in 2014, as compared to 2013 that reported a net income of ₱8.4 million. The net loss mainly due to the ₱1.2 million payments of documentary stamp tax in relation to the issuance of shares for the conversion of advances to equity in April 2014, the ₱0.8 million payment of penalty to PSE for failure to comply submission of 2011 disclosures and the ₱0.87 million payment of listing fees covering 311, 784,711 shares on December 2014 This was partly offset by the rental income collected from the leased properties, collection of an account that was previously written off and proceeds from a sale of real property.

**Performance Indicators**

**Key Performance Indicators (KPI's)**

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2016 and December 31, 2015:

| | **2016** | 2015 |
|---|---|---|
| Net Income | **(₱25,680,115)** | (₱30,662,551) |
| Current assets | **8,027,135** | 78,439,864 |

| | 2016 | 2015 |
|---|---|---|
| Total assets | **116,459,335** | 144,998,224 |
| Current liabilities | **193,160,882** | 204,453,285 |
| Total liabilities | **202,195,382** | 204,453,285 |
| Stockholders' Equity | **(85,736,047)** | (59,455,061) |
| No. of common shares outstanding | **700,298,616** | 698,930,906 |

| | 2015 | 2014 |
|---|---|---|
| Current ratio [1] | **0.04** | 0.40 |
| Book value per share [2] | **(0.12)** | (0.09) |
| Debt ratio [3] | **(2.25)** | (3.30) |
| Profit per share [4] | **(0.04)** | (0.04) |
| Return on assets [5] | **(0.23)** | (0.21) |

Note:

1. Current assets / current liabilities
2. Stockholder's Equity / Total outstanding number of shares
3. Total Liabilities / Stockholder's Equity
4. Net Income ( Loss ) / Total outstanding number of shares
5. Net income / average total assets

**Item 7. Financial Statements**

The 2016 Audited Financial Statements and schedules are filed as part of Form 17-A.

**Item 8. Information on Independent Accountant and other Related Matters**

External Audit Fees and Services

| | Year Ended December 31 | |
|---|---|---|
| | **2016** | 2015 |
| Audit Fees | **₱330,000** | ₱250,000 |

**Audit Fees.** Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2016 and 2015.

Audit services provided to the Company by external auditor have been pre-approved by the Audit Committee. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

**Changes in and disagreements with Accountants on Accounting and financial Disclosure**

There was no event in the past years where the external auditor and the Registrant had any disagreements with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

**Directors**

The following are the names, ages, citizenship and periods of service of the past and the incumbent directors/independent directors of the Company:

| Name | Age | Citizenship | Period during which individual has served as such |
|---|---|---|---|
| Manolito A. Manalo | 47 | Filipino | May 28 2013 to present |
| Juan Jose L. Chua | 51 | Filipino | May 28 2013 to September 2013 |
| Bernadeth A. Lim | 33 | Filipino | May 28 2013 to present |
| Juan Victor S. Valdez | 44 | Filipino | May 28 2013 to present |
| Monica Isabelle I. Villanueva | 34 | Filipino | April 6 2013 to present |
| Diane Madelyn C. Ching | 34 | Filipino | October 2013 to present |
| Johnny Y. Aruego Jr. (independent director) | 46 | Filipino | May 28 2013 to present |
| Edgardo E. Tumangan (independent director) | 81 | Filipino | May 28 2013 to present |

**Officers**

The following are the names, ages, positions, citizenship and periods of service of the past and incumbent officers and advisors of the Company:

| Name | Age | Position | Citizenship | Period during which individual has served as such |
|---|---|---|---|---|
| Manolito Manalo | 47 | President & CEO | Filipino | May 2013 to present |
| Bernadeth A. Lim | 33 | Vice President | Filipino | May 2013 to present |
| Juan Victor Valdez | 44 | Vice President | Filipino | May 2013 to present |
| Monica Isabelle I. Villanueva | 34 | Corporate Secretary | Filipino | May 2013 to present |
| Diane Madelyn C. Ching | 34 | Asst. Corporate Secretary | Filipino | May 2014 to present |
| Rolando S. Santos | 65 | Treasurer | Filipino | May 2013 to present |
| Christopher Sam S. Salvador | 34 | Co-Corporate Information Officer | Filipino | December 2014 to present |

**Business Experience and Other Directorships**

***Directors***

The business experience of each of the past and incumbent directors of the Company for the last five (5) years is as follows.

**Directors**

**Manolito A. Manalo** was elected as President and Director in May 2013. He is the co-

founder and managing partner of Ocampo and Manalo Law Firm. He is a Director and President of Panalpina World Transport (Phils.), Inc. He also sits as Director in Kajima Philippines Inc. He began his law practice as an associate in Leovillo C. Agustin Law Offices from 1995 to 1996 and Britanico Consunji and Sarmiento from 1996 to 1997. He later headed the Legal Division of Air Philippines from 1997 to 1999.

**Bernadeth A. Lim** was elected as Vice President and Director in May 2013. She is a junior partner of Ocampo and Manalo Law Firm. She is a Director and Corporate Secretary of Kajima Philippines Incorporated, Ripple Mobile Technology Solutions Inc., Anawhan Realty Inc. and Bryaric Holdings Corp. She also sits a Director in Veripay Mobile Systems Inc.

**Juan Victor S. Valdez** was elected as Director in May 2013. He is a junior partner of Ocampo and Manalo Law Firm. He is a director, Vice–President for Legal Affairs and Corporate Secretary of PATTS College of Aeronautics, one of the country's leading aeronautic schools. He also sits as director in Segundo Travel & Tours Inc., Hafti Tours Inc., and Kajima Philippines Incorporated.

**Monica Isabelle I. Villanueva** was elected as Corporate Secretary and Director in April 2013. She is a senior associate in Ocampo and Manalo Law Firm. She is also a Director in Autocardinal Inc., Building Maintenance Unit Inc., Manorfort Capital Inc. and Ripplewood Property Holdings Inc.

**Diane Madelyn C. Ching** was elected as Director in October 2013. She currently serves as Corporate Secretary of AG Finance Inc. and Bright Kindle Resources & Investments Inc. (formerly Bankard Inc.) as well as General Counsel and Assistant Corporate Secretary of Marcventures Holdings Inc. and its subsidiary, Marcventures Mining and Development Corp. She provides legal consultancy services to PLDT Global (Philippines) Corp. Atty. Ching was previously an associate of Ocampo & Manalo Law Firm from March 2010 to June 2013

**Johnny Y. Aruego, Jr.** was elected as an Independent Director in May 2013. He is a partner in Aruego Bite and Associates. He is a director of Excel Unified Land Resources Corporation. He is the Corporate Secretary and Legal Counsel for Agility, Inc. and A. V. Ocampo-ATR Kimeng Insurance Broker, Inc. He is a Legal Consultant of Loranzana Food Corporation, National Steel Corporation and Margarita Land and Management Co., Inc. He is the assistant rehabilitation receiver for Pacific Activated Carbon, Inc., Pet Plans, Inc., Bacnotan Steel Industries, Inc. and All Asia Capital and Trust Corporation. He is an assistant liquidator of East Asia Capital Corporation, Reynolds Philippines Corporation.

**Edgardo E. Tumangan** was elected as an Independent Director in May 2013. He is a partner in Tumangan & Partners Law Offices and a legal counsel in San Miguel Corporation. He is a director in Macet, Inc., Lenspro Corporation and CEI Laboratories, Inc. He is the President of the Capitol Bar Association and the Founding Chairman of the Philippine Insurance Law Association. He is the Chairman of the Rotary Leadership Institute and the President of the U.P. Alumni Association in the Nueva Ecija Chapter.

***Other Officers***

The business experience of each of the incumbent officers of the Company for the last five (5) years is as follows:

**Rolando S. Santos** was elected as Treasurer in October 2013. He serves as Vice President and Treasurer of Bright Kindle Resources & Investments Inc. and as Treasurer of Marcventures Holdings Inc. and Marcventures Mining and Development Corp. He was

previously the Branch Head/ Cluster Head for Makati Branches of Equitable PCI Bank which was eventually acquired by BDO from 2001 to 2013.

**Christopher Sam S. Salvador** was re-elected as Co-Corporate Information Officer in December 2014. He is an associate of Ocampo & Manalo law firm. He is a director and the Treasurer of Pureholdings, Inc., Corporate Secretary of Timebound Trading Inc., and Associate Corporate Secretary for Island Tranvoyager, Inc. and Bacuit Airholdings, Inc.

**Item 10. Executive Compensation**

The aggregate compensation paid in 2013 and 2014 and estimated to be paid in 2015, to the officers of the Company is set out below:

| Names | Position | Year | Salary | Bonus | Others |
|---|---|---|---|---|---|
| Manolito A. Manalo | Chairman & President | | | | |
| Bernadeth A. Lim | Vice President | | | | |
| Juan Victor Valdez | Vice President | | | | |
| Rolando S. Santos | Treasurer | | | | |
| Monica Isabelle I. Villanueva | Corporate Secretary | | | | |
| Aggregate for above named officers | | 2013<br>2014<br>2015<br>2016(est.) | 0<br>0<br>0 | 0<br>0<br>0 | 0<br>0<br>22,222<br>66,667 |
| All Directors and Officers as a group unnamed | | 2013<br>2014<br>2015<br>2016(est.) | 0<br>0<br>0 | 0<br>0<br>0 | 0<br>0<br>27,778<br>155,556 |

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

Security Ownership of Record and Beneficial Owners of at least 5% of the Company's Securities as of 31 December 2016:

| Type of Class | Name and address of record owner and relationship with Issuer | Citizenship | Name of Beneficial Owner & Relationship with Record Owner | No. of Shares Held | Percent of class |
|---|---|---|---|---|---|
| Common Shares | PCD Nominee | Filipino | RYM Business Management Corp./ Client | 463,555,085 | 66.19% |
| Common Shares | PCD Nominee | Filipino | Isidro C. Alcantara, Jr. | 97,178,901 | 14.00% |

On December 18, 2015, the Company disclosed that it received information from RYM Business Management Corp. that the latter acquired through foreclosure sale 93,685,410 and 218,099,360 common shares owned by NOHI and MTLCI, respectively, resulting to 87.38% ownership in the Company.

Other than the abovementioned transaction, the Company has no knowledge of any person who, as of December 31, 2015, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

***Security Ownership of Management as of December 31, 2016***

| Type of Class | Name and Address of Owner | Amount and nature of Beneficial ownership | Citizenship | Percent of class |
|---|---|---|---|---|
| Common | Manolito Manalo | 1 | Filipino | 0.0% |
| Common | Monica I. Villanueva | 1 | Filipino | 0.0% |
| Common | Bernadeth A. Lim | 1 | Filipino | 0.0% |
| Common | Diane Madelyn Ching | 1 | Filipino | 0.0% |
| Common | Manalo Juan Victor S. Valdez | 1 | Filipino | 0.0% |
| Common | Johnny Y. Aruego Jr. | 1 | Filipino | 0.0% |
| Common | Edgardo E. Tumangan | 1 | Filipino | 0.0% |
| | **Aggregate for above named officers and directors** | **7** | | |

***Changes in Control***

The Company is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Company. As reported to the SEC and PSE, on December 18, 2015, RYM Business Management Corp. acquired through foreclosure sale 93,685,410 and 218,099,360 common shares owned by NOHI and MTLCI, respectively, resulting to 87.38% ownership in the Company.

**Item 12. Certain Relationships and Related Transactions**

As of December 31, 2016, Bright Kindle Resources Corporation has an outstanding balance of ₱898,953 which represents a non-interest bearing unsecured rent receivable to be settled on demand. Also, as of December 31, 2015, the Company has a liability to Marcventures Mining and Development Corporation amounting to ₱22,475 which represents a non-interest bearing unsecured payable to be settled on demand. Please refer to Note 15 of the attached 2015 AFS.

**Part IV – Exhibits and Schedules**

**Item 13. Exhibits and Reports on SEC Form 17-C**

**(a) Exhibits**

See accompanying Index to Exhibits.

The following exhibits are filed as a separate section of this report

**(b) Reports on SEC Form 17-C**

Items reported under SEC Form 17-C during the last six months covered by this report:

| | Date of Report | Event Reported |
|---|---|---|
| *(1)* | *April 14, 2016* | *Results of Board Meeting last April 13, 2016*<br>*Postponement of Annual Stockholders' Meeting* |
| *(2)* | *June 01, 2016* | *Acquisition of additional shares by current shareholder*<br>This report pertains to the 93,685,410 shares of Neo Oracle Holdings Inc. and 218,099,360 shares of Metro Tagaytay Land Company Inc. in Prime Media Holdings Inc. that were transferred to RYM Business Management Corp. (RYM) through a special block sale on 31 May 2016 at the price of PhP 0.7957 and PhP 0.2616 per share, respectively, to implement the foreclosure sales made in December 2015. |
| *(3)* | *June 06, 2016* | *Change in the Number of Issued and Outstanding Shares*<br>This is in relation to the conversion of preferred shares into common shares previously approved by the Board and and duly disclosed to the Exchange, the Company issued 1,289,279 additional shares on May 30, 2016 arising from the conversion of 32,231,970 preferred shares at the conversion rate of 25 preferred shares to 1 common share. |
| *(4)* | *October 10, 2016* | *Change in the Number of Issued and Outstanding Shares.*<br>This is in relation to the conversion of preferred shares into common shares previously approved by the Board last April 13, 2016 and duly disclosed to the Exchange, the Company issued 78,431 additional shares on September 22, 2016 arising from the conversion of 1,960,770 preferred shares at the conversion rate of 25 preferred shares to 1 common share. |
| *(5)* | *October 25, 2016* | *Results of Organizational meeting of BOD and Annual Stockholders' Meeting* |
| *(6)* | *November 14, 2016* | *Contact Update*<br>Letter to all stockholders of Prime Media Holdings, Inc. to update their information by providing their address, telephone number, mobile number, email address and Tax Identification Number (TIN) to our stock and transfer agent, Securities Transfer Services Inc. |
| *(7)* | *December 05, 2016* | *Applications for the conversion of preferred shares into common shares.* |
| *(8)* | *December 12, 2016* | *Reply to Exchange's Query*<br>Reply to letter dated October 18, 2016 inquiring on the Company's business plans to bring its stockholders' equity from negative to positive. |

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on 20 APR 2017, 2017

By:

MANOLITO A. MANALO
President

ROLANDO S. SANTOS
Treasurer

DIANE MADELYN C. CHING
Corporate Secretary

MAKATI CITY

**SUBSCRIBED AND SWORN** to before me this 20 APR 2017 day of _____ 2017 affiant(s) exhibiting to me his/their Driver's License, as follows:

| NAMES | Driver's License no. | Expiry date |
|---|---|---|
| Manolito A. Manalo | TIN # 195-562-309 | |
| Rolando S. Santos | TIN # 127-557-084 | |
| Diane Madelyn C. Ching | Passport No. P1240453A | |

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762/LIFETIME MEMBER JAN. 29,2007
PTR No. 5390-99-87 JAN.3 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Notary Public

Doc. No. 03
Page No. 02
Book No. 23
Series of 2017.

# COVER SHEET

## for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | |
|---|---|---|---|---|---|
| | 2 | 2 | 4 | 0 | 1 |

COMPANY NAME

PRIME MEDIA HOLDINGS, INC. (A Subsidiary of RYM Business Management Corp.)

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

16th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | CRMD | N/A |

### COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| service@primemediaholdingsinc.com | (02) 889-9009 | - |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 1,875 | 3rd Tuesday of May | December 31 |

### CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Mr. Rolando S. Santos | rolly.santos@marcventures.com.ph | 826-8609/856-7976 | 09989850229 |

### OFFICE ADDRESS

16th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City

***NOTE 1:*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

***2:*** *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

PRIME MEDIA Holdings, Inc.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Prime Media Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2016, 2015 and 2014**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**Reyes Tacandong & Co.**, the independent auditor appointed by the stockholders for the years ended **December 31, 2016, 2015 and 2014**, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature _____

**MANOLITO A. MANALO**
Chairman and President

Signature _____

**ROLANDO S. SANTOS**
Treasurer

Signed this 7th day of April 2017

SUBSCRIBED AND SWORN to before me this 20 APR 2017 day of _____, 2017 at MAKATI CITY, affiant(s) exhibiting to me their Passport as follows:

| Name | Passport Number | Date/Place Issued |
|---|---|---|
| Rolando S. Santos | Senior Citizen#1003235 | March 2010/Antipolo |
| Manolito A. Manalo | TIN # 195-562-309 | |
| | | |

Notary Public

ATTY. VIRGILIO P. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 42348
MCLE COMPLIANCE NO. IV-0016833-4/10/13
IBP O.R No. 705762, LIFETIME MEMBER JAN. 29,2007
PTR No. 790-90-82 JAN.3 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Doc. No. 01
Page No. 02
Book No. 23
Series of 2017.

**Practitioner's Compilation Report**

The Stockholders and the Board of Directors
**PRIME MEDIA HOLDINGS, INC.**
*(A Subsidiary of RYM Business Management Corp.)*
16th Floor Citibank Tower, 8741
Paseo de Roxas, Makati City

I have compiled the accompanying financial statements of Prime Media Holdings, Inc. (A Subsidiary of RYM Business Management Corp.) (or the Company) based on information you have provided. These financial statements comprise the statement of financial position of the Company as at December 31, 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS.

**RIAN CEASAR P. SOLIMAN**
CPA Certificate No. 0141071
BOA A.N.: 5925
Valid Until December 31, 2017
BIR Accreditation No.: 06-006384-001-2016
Valid Until March 7, 2019
TIN No. 309-973-133-000
PTR No. 6016643 issued January 10, 2017
City of Manila

**April 10, 2017**

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REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 982 9100
Fax : +632 982 9111
Website : www.reyestacandong.com

# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Prime Media Holdings, Inc.
16th Floor, Citibank Tower
8741 Paseo de Roxas, Makati City

*Opinion*

We have audited the accompanying financial statements of Prime Media Holdings, Inc. (the Company), a subsidiary of RYM Business Management Corp., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2016, 2015 and 2014, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Stockholders' Commitment to Support the Company

The Company relies from its stockholders to sustain its operations and settle its liabilities. The ability of the Company to continue as a going concern depends primarily on the financial capacity and commitment of the stockholders. Hence, this is of significance to our audit. Further disclosures are included in Note 1 to the financial statements.

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THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

**Reyes Tacandong & Co.** is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

Estimated Liabilities

As discussed in Note 1, the Company has estimated liabilities primarily related to its previous development banking operations. This matter is of significance to our audit because it involves the use of estimates. Further disclosures are included in Note 9, *Accrued Expenses and Other Current Liabilities.*

We have reviewed the reasonableness of Management's estimates.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A (Annual Report) and Annual Report distributed to stockholders for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS , SEC Form 17-A and Annual Report distributed to stockholders for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

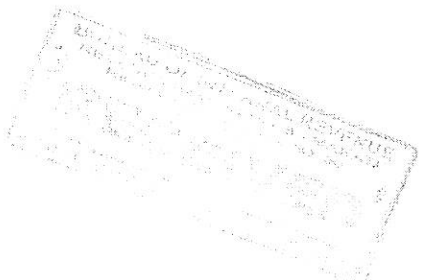
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Belinda B. Fernando.

**REYES TACANDONG & CO.**

Belinda B. Fernando

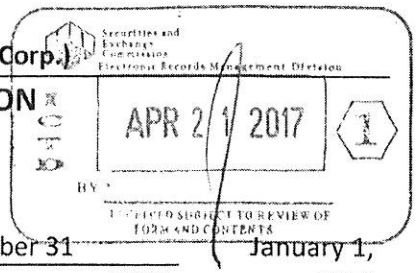
BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

April 10, 2017
Makati City, Metro Manila

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## PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

## STATEMENTS OF FINANCIAL POSITION




| | Note | December 31 2016 | December 31 2015 (As restated – Note 17) | January 1, 2015 (As restated – Note 17) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | 4 | **₱2,701,963** | ₱73,225,018 | ₱110,053,912 |
| Receivables | 5 | **4,516,267** | 4,384,867 | 4,650,121 |
| Due from Parent Company | 13 | **40,000,000** | – | – |
| Other current assets | | **808,905** | 829,979 | 797,115 |
| Total Current Assets | | **48,027,135** | 78,439,864 | 115,501,148 |
| **Noncurrent Assets** | | | | |
| Investment properties | 6 | **68,135,000** | 66,234,000 | 66,234,000 |
| Available-for-sale (AFS) financial asset | 7 | **240,000** | 250,000 | 150,000 |
| Computer equipment | 8 | **57,200** | 74,360 | – |
| Total Noncurrent Assets | | **68,432,200** | 66,558,360 | 66,384,000 |
| | | **₱116,459,335** | ₱144,998,224 | ₱181,885,148 |
| **LIABILITY AND CAPITAL DEFICIENCY** | | | | |
| **Current Liabilities** | | | | |
| Accrued expenses and other current liabilities | 9 | **₱193,160,882** | ₱195,989,085 | ₱202,277,398 |
| **Noncurrent Liability** | | | | |
| Deferred tax liability | 12 | **9,034,500** | 8,464,200 | 8,464,200 |
| | | **202,195,382** | 204,453,285 | 210,741,598 |
| **Capital Deficiency** | | | | |
| Capital stock | 10 | **714,664,876** | 747,489,906 | 747,489,906 |
| Additional paid-in capital | | **2,114,921,869** | 2,082,096,839 | 2,082,096,839 |
| Deficit | | **(2,915,362,792)** | (2,889,091,806) | (2,858,393,195) |
| Cumulative unrealized gain on AFS financial assets | 7 | **40,000** | 50,000 | (50,000) |
| Total Capital Deficiency | | **(85,736,047)** | (59,455,061) | (28,856,450) |
| | | **₱116,459,335** | ₱144,998,224 | ₱181,885,148 |

*See accompanying Notes to Financial Statements.*

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# PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

## STATEMENTS OF COMPREHENSIVE INCOME

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2016** | 2015 | 2014 |
| **INCOME** | | | | |
| Gain on fair value changes of investment properties | 6 | **₱1,901,000** | ₱– | ₱– |
| Recovery of accounts written-off | 5 | **749,211** | 583,281 | 1,911,160 |
| Rental | 11 | **279,360** | 1,219,730 | 2,008,116 |
| Interest income | 4 | **44,054** | 208,813 | 132,877 |
| | | **2,973,625** | 2,011,824 | 4,052,153 |
| **EXPENSES** | | | | |
| Management fee | 13 | **23,092,784** | 23,092,784 | – |
| Professional fees | | **2,907,299** | 2,514,319 | 455,501 |
| Outside services | | **1,093,483** | 2,086,595 | 1,612,791 |
| Taxes and licenses | | **654,931** | 1,566,413 | 1,363,706 |
| Rent | 11 | **272,783** | 1,246,714 | 627,991 |
| Salaries and allowance | | **130,998** | 199,466 | – |
| Depreciation | 8 | **17,160** | 11,440 | – |
| Penalties | | **–** | 274,200 | 800,000 |
| Others | | **484,302** | 1,682,444 | 378,862 |
| | | **28,653,740** | 32,674,375 | 5,238,851 |
| **LOSS BEFORE INCOME TAX** | | **(25,680,115)** | (30,662,551) | (1,186,698) |
| **PROVISION FOR INCOME TAX** | 12 | | | |
| Current | | **20,571** | 36,060 | 78,386 |
| Deferred | | **570,300** | – | – |
| | | **590,871** | 36,060 | 78,386 |
| **NET LOSS** | | **(26,270,986)** | (30,698,611) | (1,265,084) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| *Item that will be reclassified to profit or loss:* | | | | |
| Unrealized gain (loss) on fair value changes of AFS financial assets | 7 | **(10,000)** | 100,000 | (30,000) |
| **TOTAL COMPREHENSIVE LOSS** | | **(₱26,280,986)** | (₱30,598,611) | (1,295,084) |
| **Basic and Diluted Loss Per Share** | 15 | **(₱0.04)** | (₱0.06) | (₱0.01) |

*See accompanying Notes to Financial Statements.*

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# PRIME MEDIA HOLDINGS, INC.
## (A Subsidiary of RYM Business Management Corp.)
## STATEMENTS OF CHANGES IN EQUITY

| | Note | 2016 | Years Ended December 31<br>2015<br>(As restated – Note 17) | 2015<br>(As restated – Note 17) |
|---|---|---|---|---|
| **CAPITAL STOCK** | 10 | | | |
| **Common stock** - ₱1 par value | | | | |
| Subscribed: | | | | |
| Balance at beginning of year | | **₱698,930,906** | ₱698,930,906 | ₱458,746,136 |
| Conversion of debt to equity | | **–** | – | 240,184,770 |
| Conversion of preferred to common stock | | **1,367,710** | – | – |
| Balance at end of year | | **700,298,616** | 698,930,906 | 698,930,906 |
| Less subscription receivable: | | | | |
| Balance at beginning of year | | **–** | – | 1,600,000 |
| Movement during the year | | **–** | – | (1,600,000) |
| Balance at end of year | | **–** | – | – |
| | | **700,298,616** | 698,930,906 | 698,930,906 |
| **Preferred stock** - ₱1 par value | | | | |
| Balance at beginning of year | | **48,559,000** | 48,559,000 | 48,559,000 |
| Conversion of preferred to common stock | | **(34,192,740)** | – | – |
| Balance at end of year | | **14,366,260** | 48,559,000 | 48,559,000 |
| | | **714,664,876** | 747,489,906 | 747,489,906 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Balance at beginning of year | | **2,082,096,839** | 2,082,096,839 | 1,614,419,684 |
| Conversion of preferred to common stock | | **32,825,030** | – | – |
| Conversion of debt to equity | | **–** | – | 360,277,155 |
| Subscription payment in excess of par | | **–** | – | 107,400,000 |
| Balance at end of year | | **2,114,921,869** | 2,082,096,839 | 2,082,096,839 |
| **DEFICIT** | | | | |
| Balance at beginning of year, as previously reported | | **(2,908,841,606)** | (2,878,142,995) | (2,876,877,911) |
| Cumulative effect of change in accounting policy | 17 | **19,749,800** | 19,749,800 | 19,749,800 |
| Balance at beginning of year, as restated | | **(2,889,091,806)** | (2,858,393,195) | (2,857,128,111) |
| Net loss | | **(26,270,986)** | (30,698,611) | (1,265,084) |
| Balance at end of year | | **(2,915,362,792)** | (2,889,091,806) | (2,858,393,195) |
| **CUMULATIVE UNREALIZED GAIN (LOSS) ON AFS FINANCIAL ASSETS** | 7 | | | |
| Balance at beginning of year | | **50,000** | (50,000) | (20,000) |
| Unrealized gain (loss) on fair value changes | | **(10,000)** | 100,000 | (30,000) |
| Balance at end of year | | **40,000** | 50,000 | (50,000) |
| | | **(₱85,736,047)** | (₱59,455,061) | (₱28,856,450) |

*See accompanying Notes to Financial Statements.*

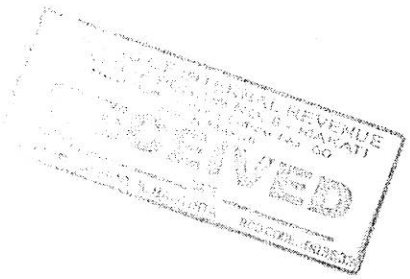
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# PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

## STATEMENTS OF CASH FLOWS

| | Note | Years Ended December 31 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss before income tax | | **(₱25,680,115)** | (₱30,662,551) | (₱1,186,698) |
| Adjustments for: | | | | |
| Gain on change in fair value of investment property | | **(1,901,000)** | – | – |
| Interest income | 4 | **(44,054)** | (208,813) | (132,877) |
| Depreciation | 8 | **17,160** | 11,440 | – |
| Operating loss before working capital changes | | **(27,608,009)** | (30,859,924) | (1,319,575) |
| Decrease (increase) in: | | | | |
| Receivables | | **(131,400)** | 265,254 | (246,377) |
| Due from Parent Company | | **(40,000,000)** | – | – |
| Other current assets | | **21,074** | (32,864) | 166,237 |
| Increase (decrease) in: | | | | |
| Decrease in accrued expenses and other current liabilities | | **(2,828,203)** | (6,288,313) | (834,429) |
| Net cash used for operations | | **(70,546,538)** | (36,915,847) | (2,234,144) |
| Interest received | | **44,054** | 208,813 | 132,877 |
| Income tax paid | | **(20,571)** | (36,060) | (119,800) |
| Net cash used in operating activities | | **(70,523,055)** | (36,743,094) | (2,221,067) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of computer equipment | 8 | – | (85,800) | – |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Issuance of common stock | 10 | – | – | 109,000,000 |
| **NET INCREASE (DECREASE) IN CASH** | | **(70,523,055)** | (36,828,894) | 106,778,933 |
| **CASH AT BEGINNING OF YEAR** | | **73,225,018** | 110,053,912 | 3,274,979 |
| **CASH AT END OF YEAR** | | **₱2,701,963** | ₱73,225,018 | ₱110,053,912 |

*See accompanying Notes to Financial Statements.*



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## 1. Corporate Information

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. On October 1, 2003, the SEC approved the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company and to hold investments in the media industry. On March 4, 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange, Inc. approved the public listing of the Company's shares of stock. As at December 31, 2016 and 2015, 663,713,458 Company shares are publicly listed.

On September 12, 2002, the Company's assets and liabilities arising from its development bank operations were transferred to and assumed by Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2016 and 2015, the Company has liabilities arising from the MOA which pertain mainly to the estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities (see Note 9).

As at December 31, 2015, the Company's shareholders are RYM Business Management Corp. (RYM or Parent Company) (43%), Metro Tagaytay Land Company, Inc. (MTLCI) (31%) and Neo Oracle Holdings, Inc. (NOHI) (13%). In 2016, RYM acquired the common stock owned by MTLCI and NOHI but disposed of 21% of its ownership shares. As at December 31, 2016, RYM effectively owns 66% of the Company's common stock.

The financial statements of the Company as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 were approved and authorized for issuance by the Board of Directors (BOD) on April 10, 2017.

**Status of Operations**

The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its previous development bank operation to BDO and PDIC. Thus, the Company has continued to incur losses resulting to a capital deficiency of ₱85.7 million and ₱59.5 million as at December 31, 2016 and 2015, respectively. The stockholders, however, have continued to provide the necessary financial support to sustain Company operations. The stockholders converted their preferred stock of ₱34.2 million into common stock in 2016 and converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregating ₱179.0 million in 2014 and 2013 to reduce the capital deficiency. The Company is also considering to implement a quasi-reorganization to reduce the capital deficiency.

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## 2. Summary of Significant Accounting Policies

**Basis of Preparation**

The financial statements have been prepared in compliance with the PFRS. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

**Measurement Bases**

The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All values represent absolute amounts except otherwise stated.

The financial statements have been prepared on a historical cost basis, except for its investment properties and AFS financial assets which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair values is included in Note 16, Financial Risk Management Objectives and Policies.

**Adoption of New and Amended PFRS**
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures have been included in the notes to financial statements, as applicable.

**New and Amended PFRS Not Yet Adopted**
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

Effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

**Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the statements of financial position when the Company becomes a party to the contractual provision of a financial instrument. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting.

*Initial Recognition of Financial Instruments.* Financial assets and liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*Classification of Financial Instruments.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at December 31, 2016 and 2015, the Company does not have financial assets and liabilities at FVPL and HTM investments.

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets is subsequently measured at fair value. Changes in fair value are recognized as other comprehensive income and the accumulated balance is included in "Cumulative unrealized gain (loss) on AFS financial assets" within equity. These changes in fair value are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is reclassified to profit or loss.

The Company classified its proprietary membership shares as AFS financial assets as at December 31, 2016 and 2015.

*"Day 1" Differences.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income. In cases where there is no observable data on inception, the Company deemed the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Loans and Receivables.* Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

As at December 31, 2016 and 2015, this category includes cash in banks, receivables (excluding advances to officers, employees and service providers) and due from Parent Company.

*Other Financial Liabilities at Amortized Cost.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

As at December 31, 2016 and 2015, this category includes accrued expenses and other current liabilities (excluding statutory payables).

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

- the right to receive cash flows from the asset has expired; or

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the separate statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

**Offsetting of Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the statements of financial position.

**Impairment of Financial Assets**
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment been recognized.

*Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the statements of changes in equity.

**Other Current Assets**

Other current assets include creditable withholding taxes (CWT) and prepayments.

*CWT.* CWT are amounts withheld from income subject to expanded withholding taxes. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

*Prepayments.* Prepayments represent expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than twelve months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

**Investment Properties**

Investment properties, accounted for under the fair value model, are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at acquisition cost, including transaction costs. Subsequently, investment properties are stated at fair value as determined by independent appraisers. The carrying amounts recognized in the statements of financial position reflect the prevailing market conditions at the end of each reporting period.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the statements of comprehensive income.

No depreciation charges are recognized on investment properties accounted for under the fair value method.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

**Computer Equipment**

Computer equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of computer equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the computer equipment.

Expenditures incurred after the computer equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of computer equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of computer equipment. The cost of replacing a component of an item of computer equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of computer equipment have different useful lives, they are accounted for as separate items (major components) of computer equipment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the computer equipment of 5 years.

The estimated useful lives and method for depreciation are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from computer equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

**Impairment of Investment Properties and Computer Equipment**

The Company assesses at each reporting date whether there is an indication that investment properties and computer equipment may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, investment properties and computer equipment are written down to its recoverable amount, which is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

**Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are treated as deduction from equity, net of tax.

*Additional Paid-in Capital (APIC).* Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC.

*Deficit.* Deficit represents the accumulated net income or loss, less any dividends declared.

**Revenue Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows:

*Rental.* Rental income is recognized using the straight-line method over the term of the lease.

*Interest Income.* Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

*Recovery of Assets Written-off.* Income from other sources is recognized when earned.

**Expense Recognition**

Expenses constitute cost of administering the business. These costs are expensed upon receipt of goods, utilization of services, or when the expense is incurred.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or

d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

*Operating Lease - Company as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

*Operating Lease - Company as a Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income.

**Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as other comprehensive income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Loss Per Share**

Basic loss per share is computed by dividing net loss for the year attributable to common stockholders by the weighted average number of common stock outstanding during the year, with retroactive adjustments for any stock dividends declared or stock split.

Diluted loss per share is calculated by adjusting the weighted average number of common stock outstanding to assume conversion of all dilutive potential common stock.

Where the loss per share effect of potential dilutive common stock would be anti-dilutive, basic and diluted loss per share are stated at the same amount.

**Segment Reporting**
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components.

**Related Parties**
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

**Provisions**
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**Contingencies**
Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

**Events after the Reporting Period**
Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements when material. Post year-end events that are non-adjusting are disclosed in the notes to financial statements when material.

## 3. Significant Judgments, Accounting Estimates and Assumptions

PFRS requires management to make judgments and estimates and assumptions that affect the amounts reported in the financial statements. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Judgments**
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the financial statements.

*Assessing the Company's Ability to Continue as a Going Concern.* The Company has incurred continuous losses resulting in a capital deficiency of ₱85.7 million, ₱59.5 million and ₱28.9 million as at December 31, 2016, 2015, and 2014, respectively. Management believes this trend to continue for the twelve months after reporting date. As discussed in Note 1, the stockholders, provide continuing necessary financial support to the Company while new business opportunities are not yet available. Based on this, the financial statements are prepared on a going concern basis of accounting.

*Classifying Financial Instruments.* The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company classified its proprietary membership shares as an AFS financial assets (see Note 7).

*Accounting for Lease Commitments: Company as a Lessor.* Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Company. Lease contracts where the Company retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Company, as a lessor, has entered into property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱0.3 million, ₱1.2 million and ₱2.0 million in 2016, 2015 and 2014, respectively (see Note 11).

*Accounting for Lease Commitments: Company as a Lessee.* The Company, as a lessee, has an operating lease agreement for its office space. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rent expense amounted to ₱0.3 million, ₱1.2 million and ₱0.6 million in 2016, 2015 and 2014, respectively (see Note 11).

*Evaluating Contingencies.* The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that eventual liabilities under these lawsuits or claims, if any, will not have a material effect of the Company's financial statements.

**Estimates and Assumptions**

The key estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Estimating Liabilities Related to Previous Development Bank Operations.* The estimated liabilities related to previous development bank operations of the Company is based on the management's best estimate of the amount expected to be incurred to settle the obligation.

The liabilities arising from the MOA amounted to ₱171.1 million and ₱172.0 million as at December 31, 2016 and 2015, respectively (see Note 9).

*Determining Fair Value of Investment Properties.* The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

Fair market value is defined as the highest price in terms of money which a property will bring if exposed for sale in the open market, allowing reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

The appraiser also considered the concept of value in use which is based on the highest and most profitable continuous use or that which may reasonably be expected to produce the greatest net return over a given period of time.

Gain on fair value changes recognized in the statements of comprehensive income amounted to ₱1.9 million in December 31, 2016. Carrying value of investment properties amounted to ₱68.1 million, ₱66.2 million and ₱66.2 million in December 31, 2016, 2015 and 2014, respectively (see Note 6).

*Estimating Allowance for Impairment Losses on Receivables.* The Company maintains allowance for receivable impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behaviour and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

No impairment losses of receivables was recognized in 2016, 2015 and 2014. Allowance for impairment loss amounted ₱60.3 million as at December 31, 2016 and 2015. The carrying amount of receivables amounted to ₱4.4 million and ₱4.4 million as at December 31, 2016 and 2015, respectively (see Note 5).

*Assessing Impairment of Investment Properties and Computer Equipment.* The Company assesses impairment on investment properties and computer equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or

- significant negative industry or economic trends.

No impairment loss was recognized in 2016, 2015 and 2014.

The carrying amount of the Company's investment properties and computer equipment are as follows:

| | Note | **2016** | 2015 |
|---|---|---|---|
| Investment properties | 6 | **₱68,135,000** | ₱66,234,000 |
| Computer equipment | 8 | **57,200** | 74,360 |
| | | **₱68,192,200** | ₱66,308,360 |

*Assessing Impairment of AFS Financial Assets.* The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted instruments and the future cash flows and the discount factors for unquoted instruments.

No impairment loss was recognized in 2016, 2015 and 2014. The carrying value of AFS financial assets amounted to ₱0.2 million as at December 31, 2016 and 2015 (see Note 7).

*Assessing Realizability of Deferred Tax Assets.* The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Company's unrecognized deferred tax assets amounted to ₱36.2 million and ₱27.9 million as at December 31, 2016 and 2015, respectively. Management believes that there will be no sufficient future taxable profits against which deferred tax assets can be utilized (see Note 12).

## 4. Cash

This account consists of:

| | December 31 | | January 1, |
|---|---|---|---|
| | **2016** | 2015 | 2015 |
| Cash on hand | **₱5,277** | ₱5,277 | ₱5,000 |
| Cash in banks | **2,696,686** | 73,219,741 | 110,048,912 |
| | **₱2,701,963** | ₱73,225,018 | ₱110,053,912 |

Cash in banks earn interest at bank deposit rates. Interest income from cash in banks amounted to ₱44,054, ₱208,813 million, ₱132,877 million in 2016, 2015 and 2014, respectively.

## 5. Receivables

This account consists of:

| | Note | December 31 2016 | December 31 2015 | January 1, 2015 |
|---|---|---|---|---|
| Loans receivable | | **₱62,277,740** | ₱62,277,740 | ₱62,277,740 |
| Advances to officers, employees and service providers | | **2,134,335** | 2,122,935 | 2,125,503 |
| Rent receivable | 11 | **381,932** | 261,932 | 524,618 |
| | | **64,794,007** | 64,662,607 | 64,927,861 |
| Less allowance for impairment losses | | **60,277,740** | 60,277,740 | 60,277,740 |
| | | **₱4,516,267** | ₱4,384,867 | ₱4,650,121 |

Loans receivable are related to the Company's previous bank operations. The unimpaired balance of loans receivable amounting to ₱2.0 million is left under an escrow fund as at December 31, 2016, 2015 and 2014.
Advances to officers, employees and service providers represent unliquidated, noninterest-bearing advances for processing of the transfer of title of properties to PDIC and BDO. These are liquidated upon the accomplishment of the purposes for which the advances were granted.

The Company collected accounts previously written-off amounting to ₱0.7 million, ₱0.6 million and ₱1.9 million in 2016, 2015, and 2014, respectively.

## 6. Investment Properties

This account represents parcels of commercial land located in Legazpi City, Albay, which are held for capital appreciation.

On December 31, 2016, the Company changed its measurement basis on investment properties from cost model to fair value model (see Note 17).

**Fair Value Measurement**
Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report is at April 3, 2017. The fair value of the land amounted to ₱68.1 million as at December 31, 2016 and ₱66.2 million as at December 31, 2015 and 2014, respectively. The fair value was determined based on valuation performed by independent and professionally qualified appraisers with a report dated April 3, 2017. The fair value measurement for investment properties has been categorized as level 3 (significant unobservable inputs).

The composition of investment properties follows:

| | December 31 | | January 1 |
|---|---|---|---|
| | **2016** | 2015 (As restated - see Note 17) | 2015 (As restated - see Note 17) |
| Cost | **₱38,020,000** | ₱38,020,000 | ₱38,020,000 |
| Cumulative gain on fair value changes: | | | |
| Balance at beginning of year | **28,214,000** | 28,214,000 | – |
| Fair value change | **1,901,000** | – | 28,214,000 |
| Balance at end of year | **30,115,000** | 28,214,000 | 28,214,000 |
| | **₱68,135,000** | ₱66,234,000 | ₱66,234,000 |

The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others.

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element. The price per square meter used for valuation ranges from ₱15,000 to ₱48,246 and from ₱35,000 to ₱40,000 as at December 31, 2016 and 2015, respectively.

Value adjustments: adjustments are made to bring the comparative values in approximation to the Investment property taking into account the location and size. Value adjustment used is 30%-40% and 5%-10% as at December 31, 2016 and 2015, respectively.

Average price index was arrived at ₱35,000 to ₱37,000 per sq. m. and ₱34,000 to ₱36,000 as at December 31, 2016 and 2015, respectively.

## 7. AFS Financial Assets

Movements of this account follow:

| | December 31 | | January 1, |
|---|---|---|---|
| | **2016** | 2015 | 2015 |
| **Cost** | **₱200,000** | ₱200,000 | ₱200,000 |
| **Unrealized gain (loss) on fair value changes** | | | |
| Balance at beginning of year | **50,000** | (50,000) | (20,000) |
| Fair value change | **(10,000)** | 100,000 | (30,000) |
| Balance at end of year | **40,000** | 50,000 | (50,000) |
| | **₱240,000** | ₱250,000 | ₱150,000 |

## 8. Computer Equipment

Movements of this account follow:

| | 2016 | 2015 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of year | **₱85,800** | ₱– |
| Additions | **–** | 85,800 |
| Balance at end of year | **85,800** | 85,800 |
| **Accumulated Depreciation** | | |
| Balance at beginning of year | **11,440** | – |
| Depreciation | **17,160** | 11,440 |
| Balance at end of year | **28,600** | 11,440 |
| **Net Carrying Amount** | **₱57,200** | ₱74,360 |

## 9. Accrued Expenses and Other Current Liabilities

This account consists of:

| | December 31 | | January 1, |
|---|---|---|---|
| | **2016** | 2015 | 2015 |
| Liabilities arising from the MOA | **₱171,109,292** | ₱171,959,972 | ₱181,233,635 |
| Dividends payable | **10,985,443** | 10,985,443 | 10,985,443 |
| Rental deposits | **5,972,642** | 5,972,642 | 5,972,642 |
| Accrued expenses | **1,868,469** | 1,663,298 | 1,829,299 |
| Others | **3,225,036** | 5,407,730 | 2,256,379 |
| | **₱193,160,882** | ₱195,989,085 | ₱202,277,398 |

Liabilities arising from the MOA pertain to estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities, primarily from unremitted collection of assigned receivables and sale of foreclosed properties for the account of PDIC (see Note 1). This account also includes provision for probable losses to cover estimated losses from claims. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, certain information is not disclosed until final settlement as it might prejudice the Company's position on the matter (see Note 14).

Dividends payable pertains to the Company's dividend for cumulative, nonparticipating, nonvoting, redeemable and convertible preferred stock that were declared prior to the Company's incurrence of deficit.

Rental deposits represent long-outstanding rental deposits that have not been claimed by the Company's previous tenants.

Accrued expenses pertain to accrual of outside services, professional fees and association dues, among others. These will be settled in the next financial year.

## 10. Equity

### Capital Stock

The movement in capital stock are as follows:

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| | Number of Stocks | Amount | Number of Stocks | Amount | Number of Stocks | Amount |
| **Common stock** - ₱1 par value | | | | | | |
| Authorized | **3,000,000,000** | **₱3,000,000,000** | 3,000,000,000 | ₱3,000,000,000 | 3,000,000,000 | ₱3,000,000,000 |
| Subscribed: | | | | | | |
| Balance at beginning of year | **698,930,906** | **698,930,906** | 698,930,906 | 698,930,906 | 458,746,136 | 458,746,136 |
| Conversion of debt to equity | **–** | **–** | – | – | 240,184,770 | 240,184,770 |
| Conversion of preferred to common | **1,367,710** | **1,367,710** | – | – | – | – |
| Balance at end of year | **700,298,616** | **700,298,616** | 698,930,906 | 698,930,906 | 698,930,906 | 698,930,906 |
| Subscription receivable: | | | | | | |
| Balance at beginning of year | **–** | **–** | – | – | – | 1,600,000 |
| Collections | **–** | **–** | – | – | – | (1,600,000) |
| Balance at end of year | **–** | **–** | – | – | – | – |
| | **700,298,616** | **₱700,298,616** | 698,930,906 | ₱698,930,906 | 698,930,906 | ₱698,930,906 |
| **Preferred stock** - ₱1 par value | | | | | | |
| Authorized | **2,000,000,000** | **₱2,000,000,000** | 2,000,000,000 | ₱2,000,000,000 | 2,000,000,000 | ₱2,000,000,000 |
| Issued and outstanding: | | | | | | |
| Balance at beginning of year | **48,559,000** | **48,559,000** | 48,559,000 | 48,559,000 | 48,559,000 | 48,559,000 |
| Conversion of preferred to common stock | **(34,192,740)** | **(34,192,740)** | – | – | – | – |
| Balance at end of year | **14,366,260** | **14,366,260** | 48,559,000 | 48,559,000 | 48,559,000 | 48,559,000 |
| | **714,664,876** | **₱714,664,876** | ₱747,489,906 | ₱747,489,906 | ₱747,489,906 | ₱747,489,906 |

The Company has 1,875, 1,881 and 1,886 stockholders as at December 31, 2016, 2015 and 2014, respectively.

The following summarizes the information on the Company's issued and subscribed shares as at December 31, 2016:

| | Number of shares issued and subscribed | Percentage of shares |
|---|---|---|
| Non-public shareholdings: | | |
| a. Related parties | 498,555,085 | 71.20% |
| b. Affiliates, directors and officers | 97,179,807 | 14.00% |
| Public shareholdings | 104,563,624 | 14.80% |
| Total | 700,298,516 | 100.00% |

The high and low trading prices of the Company's stock are as follows:

| Quarter | High | Low |
|---|---|---|
| **January 2016 to December 2016** | | |
| First | **₱1.47** | **₱0.90** |
| Second | **1.84** | **1.25** |
| Third | **1.35** | **1.16** |
| Fourth | **1.54** | **1.13** |
| **January 2015 to December 2015** | | |
| First | 1.68 | 0.90 |
| Second | 1.84 | 1.30 |
| Third | 1.40 | 1.08 |
| Fourth | 1.67 | 1.10 |

The preferred stock has the following salient features:

a. Cumulative, nonparticipating, nonvoting, redeemable and convertible at the option of the Company.

b. Cash dividend rate initially at 4.50% per annum based on par value, which shall be automatically adjusted to 9.00% per annum upon full payment of the subscription price.

c. The Company may, at any time at its option, wholly or partially redeem the outstanding preferred stock plus accrued dividends thereon. When such call for redemption is made, the holders of the preferred stock may opt to convert the preferred stock to common stock. The minimum amount of redemption shall be equivalent to ₱100.0 million and redemption in excess of the minimum shall likewise be in multiples of ₱100.0 million. All redemptions shall be applied in proportion to the outstanding preferred stock.

On October 10, 2001, the BOD approved an option to stockholders of preferred stock of extending the maturity of stock for a 2% additional dividend on the 9% regular dividend.

In 2016, 34,192,740 preferred stock were converted to 1,367,710 common stock.

**Debt to Equity Conversion and Additional Subscription**

On April 6, 2013, the BOD approved the conversion of advances from NOHI and MTLCI aggregating ₱600.5 million, into 240,184,770 common stock at ₱2.50 a share. On January 14, 2014, the SEC approved the valuation for the Company's debt to equity conversion.

On the same date, NOHI and MTLCI subscribed to additional ₱179.0 million or 71,600,000 common stock at ₱2.50 a share. The Company received the minimum subscription price amounting to ₱70.0 million which was used by the Company to pay its loan with BDO. The remaining subscription receivable amounting to ₱109.0 million was collected in 2014.

## 11. Leases

a. The Company entered into a cancellable lease agreement of a certain property for a period of 20 years that expired on August 31, 2015. The Company subleased the said property which commenced on January 16, 2003 and consequently ended on August 31, 2015.

Rental income amounted to ₱0.3 million, ₱1.2 million and ₱2.0 million in 2016, 2015 and 2014, respectively. Related rent expense amounted to ₱0.3 million, ₱1.2 million and ₱0.6 million in 2016, 2015 and 2014, respectively.

Rent receivable amounted to ₱0.4 million, ₱0.3 million and ₱0.5 million as at December 31, 2016, 2015 and 2014, respectively (see Note 5).

b. On April 1, 2015, the Company entered into a cancellable lease agreement with Bright Kindle Resources & Investments, Inc. (BKR) for its office space. Rentals charged to expense amounted to ₱0.9 million.

## 12. Income Tax

The provision for current income tax represents MCIT in 2016 and 2015.

The Company did not recognize deferred tax assets on the following temporary differences since the management believes that it may not be probable that future taxable profit will be available to allow utilization of the following tax benefits:

| | **2016** | 2015 |
|---|---|---|
| Allowance for impairment losses on receivables | **₱18,083,322** | ₱18,083,322 |
| NOLCO | **17,944,832** | 9,657,282 |
| MCIT | **135,017** | 114,446 |
| | **₱36,163,171** | ₱27,855,050 |

The Company's deferred tax liability amounting to ₱9.0 million and ₱8.5 million as at December 31, 2016 and 2015, respectively, pertains to cumulative gain on fair value changes of investment properties.

As at December 31, 2016, unused NOLCO that can be claimed as deduction from future taxable income are as follows:

| Year Incurred | Expiry Date | Amount | Applied | Expired | Balance |
|---|---|---|---|---|---|
| 2016 | 2019 | ₱27,625,169 | ₱– | ₱– | ₱27,625,169 |
| 2015 | 2018 | 30,871,364 | – | – | 30,871,364 |
| 2014 | 2017 | 1,319,575 | – | – | 1,319,575 |
| | | ₱59,816,108 | ₱– | ₱– | ₱59,816,108 |

As at December 31, 2016, unused MCIT that can be claimed as deduction from future taxable liability are as follows:

| Year Incurred | Expiry Date | Amount | Applied | Expired | Balance |
|---|---|---|---|---|---|
| 2016 | 2019 | ₱20,571 | ₱– | ₱– | ₱20,571 |
| 2015 | 2018 | 36,060 | – | – | 36,060 |
| 2014 | 2017 | 78,386 | – | – | 78,386 |
| | | ₱135,017 | ₱– | ₱– | ₱135,017 |

The reconciliation of provision for income tax at the statutory income tax to the provision for income tax shown in the statements of comprehensive income follows:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Income tax computed at statutory tax rate | **(₱7,704,035)** | (₱9,198,765) | (₱356,009) |
| Movement in unrecognized deferred tax assets | **8,308,122** | 9,297,469 | 474,258 |
| Tax effect of interest income already subjected to final tax | **(13,216)** | (62,644) | (39,863) |
| | **₱590,871** | ₱36,060 | ₱78,386 |

## 13. Related Party Transactions

Outstanding balances and transaction with related parties are as follows:

**Parent Company and Other Related Party**

| | Nature of Transaction | Amount of Transaction | | Outstanding Balance | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| *Parent Company* - Due from (to) | Advances | **₱40,000,000** | (₱22,475) | **₱40,000,000** | (₱22,475) |
| | Management fee | **23,092,784** | 23,092,784 | **–** | – |
| | | | | **₱40,000,000** | (₱22,475) |
| *Under common control* - Bright Kindle Resources & Investments, Inc. | Rent expense | **₱–** | ₱898,598 | **₱–** | ₱– |

Outstanding balances are unsecured, noninterest-bearing, payable on demand and settlement occurs in cash.

The outstanding balance of due from Parent Company as at December 31, 2016 was subsequently collected in January 2017.

On December 22, 2015, the Company entered into a management agreement with RYM to oversee and supervise the Company's business matters until December 31, 2017.

**Key Management Personnel**

There is no compensation for key management personnel.

## 14. Commitments and Contingencies

a. In the normal course of the Company's prior operations, there are outstanding commitments, pending litigations and contingent liabilities which are not reflected in the financial statements. The Company does not anticipate significant losses as a result of these transactions.

b. As discussed in Note 1, under the MOA dated September 12, 2002 between the Company and BDO, the Company transferred its assets and liabilities from its development banking operations. The Company agreed to hold BDO free from any contingent claims, labor and minority issues and

concerns arising from related assets and liabilities still managed by the Company until these are assumed by BDO. Further, the Company agreed to indemnify BDO against losses, claims and damages BDO may suffer in the event such contingent claims, labor and minority issues affect BDO's rights under the MOA and the Deed of Assignment until the maturity of the deposits are assumed by BDO (see Note 9).

c. The Company is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from these will not materially affect the Company's financial position and results of operations.

## 15. Loss Per Share

The basic and diluted loss per share were computed as follows:

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Net loss | **(₱26,270,986)** | (₱30,698,611) | (₱1,265,084) |
| Less dividend rights of the preferred stock for the year | **1,581,671** | 5,346,164 | 5,346,164 |
| Loss attributable to common stockholders | **(27,852,657)** | (36,044,775) | (6,611,248) |
| Divided by weighted average number of common stock | **699,728,737** | 569,020,585 | 569,020,585 |
| Loss per share - basic and diluted | **(₱0.04)** | (₱0.06) | (₱0.01) |

## 16. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, receivables (excluding advances to officers, employees and service providers), due from Parent Company, AFS investment and accrued expenses and other current liabilities.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.

**Credit Risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and receivables (excluding advances to officers, employees and service providers) and due from Parent Company. The carrying amount of the financial assets represent the Company's maximum exposure to credit risk in relation to financial assets.

The credit quality of the Company's financial assets that are neither past due nor impaired are considered to be of high grade and expected to be collectible without incurring any credit losses. High grade financial assets are those financial assets from counterparties with good financial condition and with relatively low defaults.

The aging analyses of financial assets as at December 31, 2016 and 2015 are as follows:

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | Past Due But Not Impaired | | Past Due and Impaired | Total |
| | | Less Than 30 Days | 31-60 Days | | |
| Due from Parent Company | ₱40,000,000 | ₱– | ₱– | ₱– | ₱40,000,000 |
| Cash in banks | 2,696,686 | – | – | – | 2,696,686 |
| Receivables* | 2,381,932 | – | – | 60,277,740 | 62,659,672 |
| AFS financial assets | 240,000 | – | – | – | 240,000 |
| | ₱45,318,618 | ₱– | ₱– | ₱62,277,740 | ₱105,596,358 |

**Excluding advances to officers, employees and service providers.*

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | Past Due But Not Impaired | | Past Due and Impaired | Total |
| | | Less Than 30 Days | 31-60 Days | | |
| Cash in banks | ₱73,219,741 | ₱– | ₱– | ₱– | ₱73,219,741 |
| Receivables* | 2,261,932 | – | – | 60,277,740 | 62,539,672 |
| AFS financial assets | 250,000 | – | – | – | 250,000 |
| | ₱75,731,673 | ₱– | ₱– | ₱60,277,740 | ₱136,009,413 |

**Excluding advances to officers, employees and service providers.*

Cash in banks are entered into with reputable financial institutions duly approved by the BOD.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted cash flows:

| | 2016 | | | |
|---|---|---|---|---|
| | On demand | Less than One year | More than One year | Total |
| Accrued expenses and other current liabilities* | ₱193,154,189 | ₱– | ₱– | ₱193,154,189 |

**Excluding statutory payables.*

| | 2015 | | | |
|---|---|---|---|---|
| | On demand | Less than One year | More than One year | Total |
| Accrued expenses and other current liabilities* | ₱192,837,989 | ₱– | ₱– | ₱192,837,989 |
| Due to a related party | 22,475 | – | – | 22,475 |
| | ₱192,860,464 | ₱– | ₱– | ₱192,860,464 |

**Excluding statutory payables.*

**Fair Values**

The table below presents a comparison by category of carrying amount and fair value of all of the Company's financial assets and liabilities as at December 31, 2016 and 2015:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Due from Parent Company | **₱40,000,000** | **₱40,000,000** | ₱– | ₱– |
| Cash in banks | **2,696,686** | **2,696,686** | 73,219,741 | 73,219,741 |
| Receivables* | **2,381,932** | **2,381,932** | 2,261,932 | 2,261,932 |
| AFS financial assets | **240,000** | **240,000** | 250,000 | 250,000 |
| | **₱45,318,618** | **₱45,318,618** | ₱75,731,673 | ₱75,731,673 |
| **Financial Liabilities** | | | | |
| Accrued expenses and other current liabilities** | **₱193,154,189** | **₱193,154,189** | ₱192,837,989 | ₱192,837,989 |
| Due to a related party | **–** | **–** | 22,475 | 22,475 |
| | **₱193,154,189** | **₱193,154,189** | ₱192,860,464 | ₱192,860,464 |

**Excluding advances to officers, employees and service providers.*
***Excluding statutory payables.*

*Current Financial Assets and Liabilities.* The carrying amounts of cash in banks, receivables, accrued expenses, and other current liabilities and due from and to related parties approximate their fair values due to the short-term nature of the transactions. The fair value measurement of current financial assets and liabilities is classified as Level 3 (significant unobservable inputs).

*AFS Investment.* The fair value of this financial asset is determined by reference to quoted market bid prices at the close of business at the reporting date. The fair value measurement of AFS investment is classified as Level 1 (quoted in an active market).

**Capital Management**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue its operations as a going concern and to maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders, or issue new stock. No changes were made in the objectives, policies or processes for the years ended December 31, 2016 and 2015.

## 17. Cumulative Effect of Change in Accounting Policy

On December 31, 2016, the Company changed its measurement basis on its investment properties from cost model to fair value model. Management believes that such change will result to more reliable financial information as the investment properties consist of parcels of land.

The Company's financial statements as at and for the years ended December 31, 2015 and 2014 were restated to take up the cumulative effect of change in accounting policy.

The effect of restatement on each financial statement line item is summarized below:

| | December 31, 2015 | | |
|---|---|---|---|
| | Investment properties | Deferred tax liability | Deficit |
| As previously reported | ₱38,020,000 | ₱– | (₱2,908,841,606) |
| Cumulative effect of change in accounting policy | 28,214,000 | 8,464,200 | 19,749,800 |
| As restated | ₱66,234,000 | ₱8,464,200 | (₱2,889,091,806) |

| | December 31, 2014 | | |
|---|---|---|---|
| | Investment properties | Deferred tax liability | Deficit |
| As previously reported | ₱38,020,000 | ₱– | (₱2,878,142,995) |
| Cumulative effect of change in accounting policy | 28,214,000 | 8,464,200 | 19,749,800 |
| As restated | ₱66,234,000 | ₱8,464,200 | (₱2,858,393,195) |

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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Makati City 1226 Philippines
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**REPORT OF INDEPENDENT AUDITOR**
**TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE**
**SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Prime Media Holdings, Inc.
16th Floor, Citibank Tower
8741 Paseo de Roxas, Makati City

We have audited the accompanying financial statements of Prime Media Holdings, Inc. (the Company), a subsidiary of RYM Business Management Corp., as at and for the year ended December 31, 2016 on which we have rendered our report dated April 10, 2017.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has one thousand two hundred fifty three (1,253) common stockholders and two hundred sixty five (265) preferred stockholders owning one hundred (100) or more shares each.

**REYES TACANDONG & CO.**

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

April 10, 2017
Makati City, Metro Manila

APR 21 2017

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AUDIT | TAX | CONSULTING

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FIRM PRINCIPLES. WISE SOLUTIONS.

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December 29, 2015, valid until December 31, 2018
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## REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Prime Media Holdings, Inc.
16th Floor, Citibank Tower
8741 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Prime Media Holdings, Inc. (the Company), a subsidiary of RYM Business Management Corp., as at December 31, 2016 and for the year then ended included in this Form 17-A and have issued our report thereon dated April 10, 2017. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2016 are the responsibility of the Company's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Financial Ratios
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules required by Part II of SRC Rule 68, as amended

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II, as amended, and are not part of the financial statements. This information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the financial statements taken as a whole.

**REYES TACANDONG & CO.**

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
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Makati City, Metro Manila

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**PRIME MEDIA HOLDINGS, INC.**
**(A Subsidiary of RYM Business Management Corp.)**

# SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

**DECEMBER 31, 2016**

| Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements** | | | |
| Conceptual Framework Phase A: Objectives and qualitative characteristics | ✓ | | |
| PFRS Practice Statement Management Commentary | | | ✓ |

**Philippine Financial Reporting Standards (PFRS)**

| PFRS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| PFRS 2 | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| PFRS 3 (Revised) | Business Combinations | | | ✓ |
| | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination | | | ✓ |
| | Amendment to PFRS 3: Scope Exceptions for Joint Ventures | | | ✓ |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PFRS 4: Financial Guarantee Contracts | | | ✓ |

| PFRS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| | Amendment to PFRS 5: Changes in Methods of Disposal | | | ✓ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendment to PFRS 7: Servicing Contracts | | | ✓ |
| | Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | ✓ |
| PFRS 8 | Operating Segments | ✓ | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments | | | ✓ |
| | Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | | | ✓ |
| PFRS 10 | Consolidated Financial Statements | | | ✓ |
| | Amendments to PFRS 10: Transition Guidance | | | ✓ |
| | Amendments to PFRS 10: Investment Entities | | | ✓ |
| | Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception | | | ✓ |
| PFRS 11 | Joint Arrangements | | | ✓ |
| | Amendments to PFRS 11: Transition Guidance | | | ✓ |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | | | ✓ |
| | Amendments to PFRS 12: Transition Guidance | | | ✓ |

| PFRS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PFRS 12: Investment Entities | | | ✓ |
| | Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception | | | ✓ |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| | Amendment to PFRS 13: Short-term receivables and Payables | ✓ | | |
| | Amendment to PFRS 13: Portfolio Exception | | | ✓ |
| PFRS 14 | Regulatory Deferral Accounts | | | ✓ |

**Philippine Accounting Standards (PAS)**

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| | Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation | ✓ | | |
| | Amendments to PAS 1: Disclosure Initiative | | | ✓ |
| PAS 2 | Inventories | | | ✓ |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| | Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| | Amendment to PAS 16: Classification of Servicing Equipment | | | ✓ |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation | | | ✓ |
| | Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization | ✓ | | |
| | Amendment to PAS 16: Agriculture: Bearer Plants | | | ✓ |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 (Revised) | Employee Benefits | | | ✓ |
| | Amendment to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ |
| | Amendment to PAS 19: Discount Rate: Regional Market Issue | | | ✓ |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | | | ✓ |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | | | ✓ |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| | Amendment to PAS 24: Key Management Personnel | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 (Amended) | Separate Financial Statements | | | ✓ |
| | Amendments to PAS 27: Investment Entities | | | ✓ |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | | | ✓ |
| | Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception | | | ✓ |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Financial Instruments: Presentation | ✓ | | |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments | | | ✓ |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | ✓ | | |
| | Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities | | | ✓ |
| | Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report' | | | ✓ |
| PAS 36 | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | | | ✓ |
| | Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization | | | ✓ |
| | Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments PAS 39: Embedded Derivatives | | | ✓ |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| | Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property | | | ✓ |
| PAS 41 | Agriculture | | | ✓ |
| | Amendment to PAS 41: Agriculture: Bearer Plants | | | ✓ |

**Philippine Interpretations**

| Interpretations | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives | | | ✓ |
| IFRIC 10 | Interim Financial Reporting and Impairment | ✓ | | |
| IFRIC 12 | Service Concession Arrangements | | | ✓ |
| IFRIC 13 | Customer Loyalty Programmes | | | ✓ |
| IFRIC 14 | PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |

| Interpretations | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| IFRIC 18 | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| IFRIC 21 | Levies | ✓ | | |

**PHILIPPINE INTERPRETATIONS - SIC**

| Interpretations | Title | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| SIC-7 | Introduction of the Euro | | | ✓ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| SIC-15 | Operating Leases – Incentives | ✓ | | |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| SIC-29 | Service Concession Arrangements: Disclosures. | | | ✓ |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |

# PRIME MEDIA HOLDINGS, INC.

**(A subsidiary of RYM Business Management Corp.)**

## FINANCIAL RATIOS

**DECEMBER 31, 2016**

Below is a schedule showing financial soundness indicators in the years 2016 and 2015.

| | **2016** | 2015 |
|---|---|---|
| **Current/Liquidity Ratio** | **0.25** | 0.40 |
| Current assets | **₱48,027,135** | ₱78,439,864 |
| Current liabilities | **193,160,882** | 195,966,610 |
| **Solvency Ratio** | **(0.13)** | (0.16) |
| Loss before income tax, depreciation, and amortization | **(₱25,662,955)** | (₱30,651,111) |
| Total liabilities | **193,160,882** | 195,989,085 |
| **Debt-to-equity Ratio** | **(2.25)** | (3.30) |
| Total liabilities | **₱193,160,882** | ₱195,989,085 |
| Total equity | **(85,736,047)** | (59,455,061) |
| **Asset-to-equity Ratio** | **(1.36)** | (2.44) |
| Total assets | **₱116,459,335** | ₱144,998,224 |
| Total equity | **(85,736,047)** | (59,455,061) |
| **Interest rate coverage Ratio** | **–** | – |
| Pretax income before interest | **(₱25,680,115)** | (₱30,662,551) |
| Interest expense | **–** | – |
| **Profitability Ratio** | **–** | – |
| Net loss | **(₱26,270,986)** | (₱30,698,611) |
| Capital deficiency | **(85,736,047)** | (59,455,061) |

## PRIME MEDIA HOLDINGS, INC.

**(A subsidiary of RYM Business Management Corp.)**

## SUPPLEMENTARY SCHEDULE OF COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**DECEMBER 31, 2016**

| | | Amount |
|---|---|---|
| Unappropriated retained earnings (deficit) as shown in the financial statements at beginning of year | | (₱2,889,091,806) |
| Cumulative gain on fair value changes of investment properties | | (28,214,000) |
| Deferred tax liability at beginning of year | | 8,464,200 |
| Unappropriated retained earnings (deficit) as adjusted to available for dividend declaration at beginning of year | | (2,908,841,606) |
| Net loss during the year: | | |
| Net loss during the year closed to retained earnings | (26,270,986) | |
| Gain on change in fair value of investment properties | (1,901,000) | |
| Add deferred tax liability during the year (presented through profit or loss) | 570,300 | (27,601,686) |
| Total retained earnings (deficit) available for dividend declaration at end of year | | (₱2,936,443,292) |

Reconciliation:

| | Amount |
|---|---|
| Unappropriated retained earnings (deficit) as shown in the financial statements at end of year | (₱2,915,362,792) |
| Cumulative gain on fair value changes of investment properties at end of year | (30,115,000) |
| Add deferred tax liability during the year (presented through profit or loss) | 9,034,500 |
| Total retained earnings (deficit) available for dividend declaration at end of year | (₱2,936,443,292) |

**PRIME MEDIA HOLDINGS, INC.**
**(A subsidiary of RYM Business Management Corp.)**
**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II**
**OF SRC RULE 68, AS AMENDED**
**DECEMBER 31, 2016**

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| *Schedule* | *Description* | *Page* |
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| A | Financial Assets | 1 |
| B | Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties) | 2 |
| C | Indebtedness to Related Parties | 3 |
| D | Guarantees of Securities of Other Issuers | 4 |
| E | Capital Stock | 5 |
| F | Conglomerate Map | 6 |

*Schedule A.* Financial Assets
December 31, 2016

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the statement of financial position | Valued based on market quotation at end reporting period | Income received and accrued |
|---|---|---|---|---|
| Due from Parent Company | N/A | ₱40,000,000 | ₱40,000,000 | ₱– |
| Cash in banks | N/A | 2,696,686 | 2,696,686 | – |
| | | ₱42,696,686 | ₱42,696,686 | |

*Schedule B.* Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2016

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written-off | Current | Noncurrent | Balance at the end of the period |
|---|---|---|---|---|---|---|---|
| *Parent Company* | | | | | | | |
| | ₱– | ₱40,000,000 | ₱– | ₱– | ₱40,000,000 | ₱– | ₱40,000,000 |

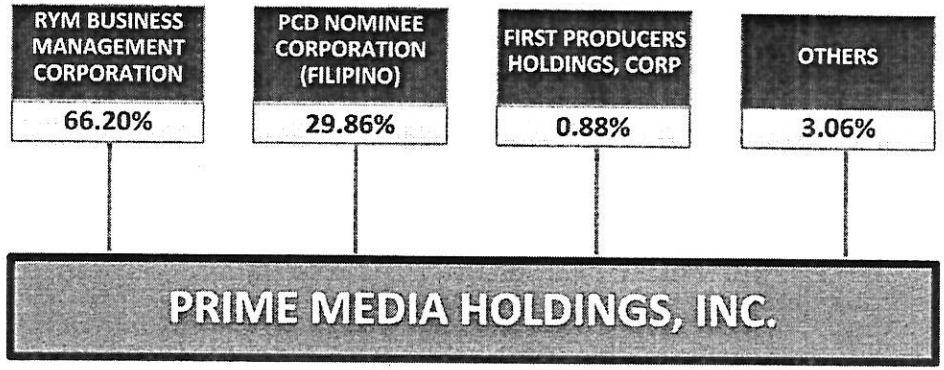
*Schedule C.* Indebtedness to Related Parties
December 31, 2016

| Name of related party | Beginning Balance | Ending balance |
|---|---|---|
| -Not Applicable - | | |

*Schedule E.* Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding at shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | No. of shares held by related parties | Directors, officers and employees | Others |
|---|---|---|---|---|---|---|
| Common Stock | 3,000,000,000 | 700,298,616 | – | 498,555,085 | 97,179,807 | 104,563,624 |
| Preferred Stock | 2,000,000,000 | 14,366,260 | – | – | – | – |
| | 5,000,000,000 | 714,664,876 | – | 498,555,085 | 97,179,807 | 104,563,624 |

*Schedule F.* Conglomerate Map



111202017005113

# SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931to39Fax:(632)725-5293Email:mis@sec.gov.ph

**Barcode Page**

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Company Information

| | |
|---|---|
| SEC Registration No. | 0000022401 |
| Company Name | PRIME MEDIA HOLDINGS INC. |
| Industry Classification | FINANCING COMPANY OPERATIONS |
| Company Type | Stock Corporation |

**Document Information**

| | |
|---|---|
| Document ID | 111202017005113 |
| Document Type | 17-Q (FORM 11-Q:QUARTERLY REPORT/FS) |
| Document Code | 17-Q |
| Period Covered | September 30, 2017 |
| No. of Days Late | 0 |
| Department | CFD |
| Remarks | |

| 2 | 2 | 4 | 0 | 1 | | | | | |
|---|---|---|---|---|---|---|---|---|---|

S.E.C. Registration Number

| P | R | I | M | E | | M | E | D | I | A | | H | O | L | D | I | N | G | S | , | | I | N | C | . | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ( | f | o | r | m | e | r | l | y | | F | i | r | s | t | | e | - | B | a | n | k | | C | o | r | p | . | ) |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

(Company's Full Name)

| 1 | 6 | t | h | | F | l | o | o | r | | C | i | t | i | b | a | n | k | | T | o | w | e | r | , | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8 | 7 | 4 | 1 | | P | a | s | e | o | | d | e | | R | o | x | a | s | , | | | | | | | | | |
| M | a | k | a | t | i | | C | i | t | y | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

(Business Address: No. Street/City/Province)

| ROLANDO S. SANTOS | 831-4479 |
|---|---|
| Contact Person | Company Telephone Number |

| 1 | 2 | 3 | 1 | SEC 17-Q | | |
|---|---|---|---|---|---|---|
| *Month* | | *Day* | | FORM TYPE | *Month* | *Day* |
| Fiscal Year | | | | | Annual Meeting | |

| N/A |
|---|
| Secondary License Type, If Applicable |

| | |
|---|---|
| Dept. Requiring this Doc. | Amended Articles Number/Section |
| | Total Amount of Borrowings |

| 1,603 | nil | |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

---

To be accomplished by SEC Personnel concerned

| | |
|---|---|
| File Number | LCU |
| Document I.D. | Cashier |

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER**

1. For the quarterly period ended **SEPTEMBER 30, 2017**

2. Commission identification number **22401**

3. BIR Tax Identification No. **000-491-007**

4. Exact name of issuer as specified in its charter **PRIME MEDIA HOLDINGS, INC.**

5. Province, country or other jurisdiction of incorporation or organization **METRO MANILA**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office — Postal Code
**16TH FLOOR CITIBANK TOWER, 8741 PASEO DE ROXAS MAKATI CITY** — **1227**

8. Issuer's telephone number, including area code **831-4479**

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| Common Stock, P1 par value | 700,298,616 |
| Preferred Stock, P1 par value | 14,366,260 |

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

| Philippine Stock Exchange | Common Shares |
|---|---|

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [x] No [ ]

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited Financial Statement of Prime Media Holdings, Inc. as of September 30, 2017 and for nine months period ended September 30, 2017 and 2016 with comparative audited figure as of December 31, 2016 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Balance Sheets as of September 30, 2017 and December 31, 2016

| | **September 30, 2017 Unaudited** | December 31, 2016 Audited | September 30, 2017 vs. Dec. 31, 2016 | |
|---|---|---|---|---|
| | | | Amount Increase (decrease) | Percentage Increase (decrease) |
| | **(₱'000)** | (₱'000) | (₱'000) | |
| Current assets | **₱40,882** | ₱48,027 | (₱7,145) | (14.88%) |
| Noncurrent assets | **69,996** | 68,432 | 1,564 | 2.29% |
| Total Assets | **₱110,878** | ₱116,459 | (₱5,579) | (4.79%) |
| Current Liabilities | **₱206,853** | ₱193,161 | ₱13,692 | 7.09% |
| Noncurrent Liability | **9,035** | 9,035 | – | – |
| | **215,888** | 202,196 | 13,692 | 6.77% |
| Stockholders' Equity | **(105,008)** | (85,737) | (19,271) | 22.48% |
| Total Liabilities and Stockholders' Equity | **₱110,878** | ₱116,459 | (₱5,579) | (4.79%) |

Summary of Income Statement for the nine months and three months period ended September 30, 2017 and September 30, 2016.

| | **For nine months ending Sept. 30** | | **For three months ending Sept. 30** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **(₱'000)** | (₱'000) | **(₱'000)** | (₱'000) |
| Revenues | **₱386** | ₱546 | **₱240** | ₱2 |
| Expenses | **19,658** | 21,486 | **(6,271)** | 7,205 |
| Loss before tax | **(19,272)** | (20,940) | **(6,031)** | (7,203) |
| Provision for income tax | – | – | – | – |
| Total comprehensive loss | **(₱19,272)** | (₱20,940) | **(₱6,031)** | (₱7,203) |

Summary of Statements of Cash Flows for nine months and three months period ended September 30, 2017 and September 30, 2016.

| | For nine months ending September 30 | | For three months ending September 30. | |
|---|---|---|---|---|
| | 2017 (₱'000) | 2016 (₱'000) | 2017 (₱'000) | 2016 (₱'000) |
| Cash provided (used) in operating activities | ₱8,598 | (₱70,169) | ₱10,475 | (₱1,389) |
| Cash used in investing activities | (1,577) | – | (1,577) | – |
| Cash at beginning | 2,702 | 73,225 | 825 | 4,445 |
| Cash at end of the quarter | ₱9,723 | ₱3,056 | ₱9,723 | ₱3,056 |

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation**

The company has not been actively operating other than the activities connected with the transfer of the Company's remaining assets to the Philippine Depositary Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP). The Company also continues to pursue the cleanup of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

## FINANCIAL CONDITION AND RESULTS OF OPERATION

**Nine months ended September 30, 2017 compared with nine months ended September 30, 2016**

The results of operation for the nine months ended September 30, 2017 and September 30, 2016 were net loss of ₱21.67 million and ₱20.94 million, respectively or equivalent to ₱0.73 million or 0.03% decrease.

Significant changes in the income accounts for the three months ended September 30, 2017 versus the same period last year are as follows:

- Interest income decreased by ₱0.03 million or equivalent to 79% due to lower bank balance for this period.
- Recovery of asset previously written off is ₱0.17 million this period compared to ₱0.50 million last year.
- Rental income of ₱0.21 is recognized this period compared to nil last year.
- Professional fee decreased by ₱0.74 million or equivalent to 38%. The decrease pertains to payment of legal fees.
- Other Services decreased by ₱0.19 million or 25% is attributable in last year hiring of a courier company to facilitate the mailing to notice stockholders on annual meeting.
- Rent expense for the period is ₱0.044 million as compared to ₱0.317 million last year, as decreased of ₱0.271 million or equivalent to 86%. The decrease is mainly due to the lease contract was expired and not renewed this year.
- Taxes and licenses decreased by ₱0.13 million or equivalent to 46% mainly due to payment of documentary stamp tax in 2016.

- Other expenses decreased by ₱0.26 million or equivalent to 62% mainly due to last year bulk purchase of supplies and cost of photocopying of reports for stockholders on annual meeting.

**Three months ended September 30, 2017 compared with three months ended September 30, 2016**

The results of operation for the three months ended September 30, 2017 and September, 2016 were net loss of ₱6.03 million and ₱6.96 million, respectively or equivalent to 0.13% decrease.

Significant changes in the income accounts for the three months ended September 30, 2017 versus the same period last year are as follows:

- Interest income decreased by ₱0.25 million or equivalent to 99% due to no interest on bonds this period.
- Recovery of asset previously written off is ₱0.17 million this period compared to nil last year.
- Rental income of ₱0.70 is recognized this period compared to nil last year.
- Professional fees decreased by ₱0.25 million or equivalent to 45%. Higher payment on audit and legal fees last year.
- Taxes and licenses decreased by ₱0.098 million or equivalent to 100% mainly due payment of real estate tax last year.
- Other expenses decrease by ₱0.31 million or equivalent to 89% mainly due to last year bulk purchase of supplies and cost of photocopying of reports for stockholders on annual meeting.

## STATEMENT OF FINANCIAL POSITION

The significant changes in the Statement of Financial Position accounts during the nine months ended September 30, 2017 versus the December 31, 2016 level are as follows:

Total assets stood at ₱110.88 million which is ₱5.58 million or 4.79% lower than the December 31, 2016 level. Significant changes were mainly due to the following:

- Cash increase by ₱7.02 million or 259.84% from ₱2.70 million as of December 31, 2016 to ₱9.72 million as of September 30, 2017. The increase mainly pertains to receipt from the sale of property.
- Due from parent company was collected ₱20 million or equivalent to 50% of the balance to RYM Business Corporation.
- Other currents assets increase by ₱5.77 million or equivalent to 714%. The increase is attributable to the prepayment of management fee to RYM Business Corporation for the period
- The increased in equipment is due to the purchased of transportation equipment.

The significant change on Liabilities during this interim period is due to unearned income.

The company has capital deficiency of ₱105.00 million and ₱85.74 million as of September 30, 2017 and December 31, 2016 respectively. An increased in capital deficiency of ₱19.27 million or equivalent to 22.48% pertains to net loss for the period.

## STATEMENT OF CASH FLOWS

The net cash provided in operating activities amounted to ₱8.60 million for the nine months ended September 30, 2017 as compared to the same period last year amounted to ₱70.17 million. The increase in cash from operating activities is the net result of the following:

- Net loss generated during the nine months period.
- Collection of due from parent company
- Payment of management fee.
- Increase in accrued expenses.

The net effect of the foregoing operating activities, is an increase of ₱8.60 million and a balance of ₱9.72 million in cash as of September 30, 2017 as compared to a decrease of ₱70.17 million and a balance of ₱3.06 million as of September 30, 2016.

**Horizontal and Vertical Analysis:**

| | Unaudited September 30, 2017 (₱'000) | Audited 2016 (₱'000) | Increase(decrease) Amount (₱'000) | Percentage |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash on hand and in banks | **₱9,723** | ₱2,702 | ₱7,021 | 259.84% |
| Receivable | **4,577** | 4,516 | 61 | 1.35% |
| Due from Parent Company | **20,000** | 40,000 | (20,000) | (50.00)% |
| Other current assets | **6,582** | 809 | 5,773 | 713.71% |
| Total Current Assets | **40,882** | 48,027 | (7,145) | (14.88%) |
| **Noncurrent Assets** | | | | |
| Investment Property | **68,135** | 68,135 | – | – |
| Available-for-sale investment | **240** | 240 | – | – |
| Equipment (Net) | **1,621** | 57 | 1,566 | 2,734.49% |
| Total Noncurrent Assets | **69,996** | 68,432 | 1,566 | 2.29% |
| | **₱110,878** | ₱116,459 | (₱5,579) | (4.79%) |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accrued expenses and other current liabilities | **₱206,852** | ₱193,161 | ₱13,692 | 7.09% |
| **Noncurrent Liabilities** | | | | |
| Deferred tax liability | **9,034** | 9,034 | – | – |
| | **215,887** | 202,195 | 13,692 | 6.77% |
| **Equity** | | | | |
| Preferred Capital stock | **14,366** | 14,366 | – | – |
| Common Capital stock | **700,299** | 700,299 | – | – |
| Additional paid-in capital | **2,114,922** | 2,114,922 | – | – |
| Net unrealized gain on AFSI | **40** | 40 | – | – |
| Deficit | **(2,934,635)** | (2,915,363) | (19,272) | 0.66% |
| Total Equity | **(105,008)** | (85,736) | (19,272) | 22.48% |
| | **₱110,878** | ₱116,459 | (₱5,581) | (4.79%) |

## FINANCIAL INDICATORS

| | **As of September 30, 2017** | As of September 30, 2016 |
|---|---|---|
| Net loss | **(19,272,292)** | (20,939,651) |
| Quick assets | **9,722,851** | 3,056,486 |
| Current assets | **40,882,218** | 53,774,397 |
| Total assets | **110,878,548** | 92,103,027 |
| Current liabilities | **206,852,386** | 192,247,540 |
| Total liabilities | **215,886,886** | 192,247,540 |
| Stockholders'equity | **(105,008,338)** | (100,144,513) |
| Preferred stock | **14,366,260** | 14,366,260 |
| Number of common shares outstanding | **700,298,616** | 700,220,185 |
| Number of preferred shares outstanding | **14,366,260** | 14,366,260 |

| | | |
|---|---|---|
| Current Ratio1/ | **0.20** | 0.28 |
| Debt to Equity Ratio2/ | **(2.056)** | (1.920) |
| Asset to Equity Ratio3/ | **(1.06)** | (0.92) |
| Return on Assets4/ | **(0.028)** | (0.030) |
| Return on Equity5/ | **0.202** | 2.000 |
| Book Value per share | **(0.17) per share** | (0.16) per share |
| Earnings/Loss per share (basic) trailing 12 months | **(0.35)** | 2.03 |

*1/ Current assets divided by current liabilities*
*2/ Total liabilities divided by equity*
*3/ Total assets divided by equity*
*4/ Net income divided by average assets*
*5/ Net income divided by average equity*
*Total common stockholder's equity divided Trailing 12 months Net income/(loss) less dividends paid on preferred stock / weighted ave. no. of common shares outstanding*

## OTHER INFORMATION

a. There are no known trends, demands, commitments, events or uncertainties that have a material impact on the Company's liquidity.

b. There are no events that will trigger direct or contingent financial obligation that is material to the Company.

c. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities, or other persons were created during the interim period.

d. There are no material commitments for capital expenditures during the interim period.

e. There are no known trends, events or uncertainties that have or are reasonably expected to have a material impact on net sales/ revenues/ income from continuing operations.

f. There is no significant income or expense that did not arise from the Company's continuing operations.

g. There is no seasonal aspect that had a material effect on the financial condition or results of operation.

## PART II - OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

## PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a. Current Ratio
   Total Current Assets/ Total Current Liabilities = 0.20

b. Quick Ratio
   Quick asset / Total Current Liabilities = 0.047

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets =1.95

b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = -2.06

Profitability Ratio

a. Return on Equity Ratio
   Net loss / Average shareholder's equity = 0.10

b. Return on Assets
   Net loss / Average Total assets = -0.17

c. Asset to Equity Ratio:
   Total Assets / Ave. Stockholders' Equity = -1.06

d. Asset Turnover
   Revenue/Total Assets = 0.003

e. Book value per share
   Stockholder's equity - preferred stock/No. of common shares outstanding = -0.17

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **PRIME MEDIA HOLDINGS INC.**

**Date:** November 9, 2017

**By:**

Signature: _____

**ROLANDO S. SANTOS**

Title: Treasurer

Signature: _____

**LESTER LAURENCE S. BAGUEC**

Title: Accountant

# PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)
## STATEMENTS OF FINANCIAL POSITION

| | Note | Unaudited September 30, 2017 | Audited December 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash on hand and in banks | 4 | **₱9,722,851** | ₱2,701,963 |
| Receivables | 5 | **4,577,266** | 4,516,267 |
| Due from Parent Company | 13 | **20,000,000** | 40,000,000 |
| Other current assets | | **6,582,101** | 808,905 |
| Total Current Assets | | **40,882,218** | 48,027,135 |
| **Noncurrent Assets** | | | |
| Investment properties | 6 | **68,135,000** | 68,135,000 |
| Available-for-sale (AFS) financial asset | 7 | **240,000** | 240,000 |
| Equipment | 8 | **1,621,330** | 57,200 |
| Total Noncurrent Assets | | **69,996,330** | 68,432,200 |
| | | **₱110,878,548** | ₱116,459,335 |
| **LIABILITY AND CAPITAL DEFICIENCY** | | | |
| **Current Liabilities** | | | |
| Accrued expenses and other current liabilities | 9 | **₱206,852,386** | ₱193,160,882 |
| **Noncurrent Liability** | | | |
| Deferred tax liability | 12 | **9,034,500** | 9,034,500 |
| | | **215,886,886** | 202,195,382 |
| **Capital Deficiency** | | | |
| Capital stock | 10 | **714,664,876** | 714,664,876 |
| Additional paid-in capital | | **2,114,921,869** | 2,114,921,869 |
| Deficit | | **(2,937,035,083)** | (2,915,362,792) |
| Cumulative unrealized gain on AFS financial assets | 7 | **40,000** | 40,000 |
| Total Capital Deficiency | | **(107,408,338)** | (85,736,047) |
| | | **₱110,878,548** | ₱116,459,335 |

*See accompanying Notes to Financial Statements.*

# PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

## STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Nine Months Ended September 30 | | Three Months Ended September 30 | |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| **INCOME** | | | | | |
| Rental | | **₱209,520** | ₱- | **₱69,840** | ₱- |
| Recovery of assets written-off | | **167,328** | 503,184 | **167,328** | - |
| Interest income | 4 | **8,900** | 42,685 | **2,566** | 2,024 |
| | | **385,748** | 545,869 | **239,734** | 2,024 |
| **EXPENSES** | | | | | |
| Management fee | 13 | **17,319,588** | 17,368,636 | **5,773,196** | 5,773,196 |
| Professional fees | | **1,212,905** | 1,952,780 | **307,990** | 569,383 |
| Outside services | | **578,988** | 771,536 | **45,875** | 110,136 |
| Taxes and licenses | | **157,777** | 219,070 | **125** | 98,468 |
| Association dues | | **170,829** | 213,327 | **86,305** | 163,279 |
| Rent expense | 11 | **44,335** | 316,695 | **14,941** | 14,941 |
| Salaries, wages & allowances | | **-** | 130,998 | **-** | 119,707 |
| Depreciation expense | 8 | **12,870** | 15,730 | **4,290** | 7,150 |
| Others | | **160,747** | 424,749 | **38,353** | 348,970 |
| | | **19,658,039** | 21,485,520 | **6,271,075** | 7,205,231 |
| **LOSS** | | **(₱19,272,291)** | (₱20,939,651) | **(₱6,031,341)** | (₱7,203,207) |
| **Basic and Diluted Loss Per Share** | 15 | **(0.028)** | (0.03) | **(0.001)** | (0.010) |

*See accompanying Notes to Financial Statements.*

## PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

## STATEMENTS OF CHANGES IN EQUITY

| | Note | Nine Months Ended September 30, Unaudited 2017 | Unaudited 2016 |
|---|---|---|---|
| **CAPITAL STOCK** | 10 | | |
| **Common stock** - ₱1 par value Subscribed: | | **₱700,298,616** | ₱700,298,616 |
| **Preferred stock** - ₱1 par value | | **14,366,260** | 14,366,260 |
| | | **714,664,876** | 714,664,876 |
| **ADDITIONAL PAID-IN CAPITAL** | | **2,114,921,869** | 2,114,921,869 |
| **DEFICIT** | | | |
| Balance at beginning of year, as previously reported | | **(2,915,362,792)** | (2,908,841,607) |
| Net loss | | **(19,272,291)** | (20,939,651) |
| Balance at end of quarter | | **(2,934,635,083)** | (2,929,781,258) |
| **CUMULATIVE UNREALIZED GAIN (LOSS) ON AFS FINANCIAL ASSETS** | 7 | **40,000** | 50,000 |
| | | **(₱105,008,338)** | (₱100,144,513) |

*See accompanying Notes to Financial Statements.*

# PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

## STATEMENTS OF CHANGES IN EQUITY

| | | Three Months Ended September 30, | |
|---|---|---|---|
| | Note | Unaudited 2017 | Unaudited 2016 |
| **CAPITAL STOCK** | 10 | | |
| **Common stock** - ₱1 par value Subscribed: | | **₱700,298,616** | ₱700,298,616 |
| **Preferred stock** - ₱1 par value | | **14,366,260** | 14,366,260 |
| | | **714,664,876** | 714,664,876 |
| **ADDITIONAL PAID-IN CAPITAL** | | **2,114,921,869** | 2,114,921,869 |
| **DEFICIT** | | | |
| Balance at beginning of quarter, as previously reported | | **(2,928,603,742)** | (2,922,578,051) |
| Net loss | | **(6,031,341)** | (7,203,207) |
| Balance at end of quarter | | **(2,934,635,083)** | (2,929,820,231) |
| **CUMULATIVE UNREALIZED GAIN (LOSS) ON AFS FINANCIAL ASSETS** | 7 | **40,000** | 50,000 |
| | | **(₱105,008,338)** | (₱100,144,513) |

*See accompanying Notes to Financial Statements.*

# PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)
## STATEMENTS OF CASH FLOWS

| | Note | Nine Months Ended September 30<br>Unaudited<br>2017 | <br>Unaudited<br>2016 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before income tax | | **(₱19,272,292)** | (₱20,939,651) |
| Adjustments for: | | | |
| Interest income | 4 | **(8,900)** | (39,635) |
| Depreciation | 8 | **12,870** | 15,730 |
| Operating loss before working capital changes | | **(19,268,322** | (20,963,556) |
| Decrease (increase) in: | | | |
| Receivables | | **(60,999)** | 23,601 |
| Due from Parent Company | | **20,000,000** | - |
| Other current assets | | **(5,773,196)** | (45,526,666) |
| Increase (decrease) in: | | | |
| Decrease in accrued expenses and other current liabilities | | **13,691,504** | (3,741,545) |
| Net cash provided (used) for operations | | **8,588,987** | (70,208,166) |
| Interest received | | **8,900** | 39,635 |
| Cash provided from operation activities | | **8,597,887** | (70,168,831) |
| Cash used in investing activities | | **(1,577,000)** | - |
| **NET INCREASE (DECREASE) IN CASH** | | **7,020,887** | (70,168,531) |
| **CASH AT BEGINNING OF QUARTER** | | **2,701,963** | 73,225,018 |
| **CASH AT END OF QUARTER** | | **₱9,722,850** | ₱3,056,487 |

*See accompanying Notes to Financial Statements.*

# PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)
## STATEMENTS OF CASH FLOWS

| | Note | Three Months Ended September 30<br>Unaudited<br>2017 | <br>Unaudited<br>2016 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before income tax | | **(₱6,031,342)** | (₱7,164,233) |
| Adjustments for: | | | |
| Interest income | 4 | **(2,565)** | (2,024) |
| Depreciation | 8 | **4,290** | 7,150 |
| Operating loss before working capital changes | | **(6,029,617)** | (7,159,107) |
| Decrease (increase) in: | | | |
| Receivables | | **(72,000)** | 25,500 |
| Due from Parent Company | | **-** | - |
| Other current assets | | **5,773,196** | 6,013,725 |
| Increase (decrease) in: | | | |
| Decrease in accrued expenses and other current liabilities | | **10,801,256** | (270,974) |
| Net cash provided (used) for operations | | **10,472,835** | (1,390,856) |
| Interest received | | **2,565** | 2,024 |
| Cash provided from operation activities | | **10,475,400** | - |
| Cash used in investing activities | | **(1,577,000)** | - |
| **NET INCREASE (DECREASE) IN CASH** | | **8,898,400** | (1,388,832) |
| **CASH AT BEGINNING OF THE PERIOD** | | **824,450** | 4,445,318 |
| **CASH AT END OF PERIOD** | | **₱9,722,850** | ₱3,056,487 |

*See accompanying Notes to Financial Statements.*

## 1. Corporate Information

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. On October 1, 2003, the SEC approved the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company and to hold investments in the media industry. On March 4, 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange, Inc. approved the public listing of the Company's shares of stock. As at December 31, 2016 and 2015, 663,713,458 Company shares are publicly listed.

On September 12, 2002, the Company's assets and liabilities arising from its development bank operations were transferred to and assumed by Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2016 and 2015, the Company has liabilities arising from the MOA which pertain mainly to the estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities (see Note 9).

As at December 31, 2015, the Company's shareholders are RYM Business Management Corp. (RYM or Parent Company) (43%), Metro Tagaytay Land Company, Inc. (MTLCI) (31%) and Neo Oracle Holdings, Inc. (NOHI) (13%). In 2016, RYM acquired the common stock owned by MTLCI and NOHI but disposed of 21% of its ownership shares. As at December 31, 2016, RYM effectively owns 66% of the Company's common stock.

**Status of Operations**

The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its development bank operation to BDO and PDIC. Thus, the Company has continued to incur losses resulting to a capital deficiency of ₱85.7 million and ₱59.5 million as at December 31, 2016 and 2015, respectively. The stockholders, however, have continued to provide the necessary financial support to sustain Company operations. The stockholders converted their preferred stock of ₱34.2 million into common stock in 2016 and converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregating ₱179.0 million in 2014 and 2013 to reduce the capital deficiency. The Company is also considering to implement a quasi-reorganization to reduce the capital deficiency.

## 2. Summary of Significant Accounting Policies

**Basis of Preparation**

The financial statements have been prepared in compliance with the PFRS. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

**Measurement Bases**

The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All values represent absolute amounts except otherwise stated.

The financial statements have been prepared on a historical cost basis, except for its investment properties and AFS financial assets which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair values is included in Note 16, Financial Risk Management Objectives and Policies.

**Adoption of New and Amended PFRS**
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures have been included in the notes to financial statements, as applicable.

**New and Amended PFRS Not Yet Adopted**
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

Effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

**Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the statements of financial position when the Company becomes a party to the contractual provision of a financial instrument. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting.

*Initial Recognition of Financial Instruments.* Financial assets and liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*Classification of Financial Instruments.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at September 30, 2017 and December 31, 2016, the Company does not have financial assets and liabilities at FVPL and HTM investments.

*AFS Financial Assets.* AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market

conditions.

After initial measurement, AFS financial assets is subsequently measured at fair value. Changes in fair value are recognized as other comprehensive income and the accumulated balance is included in "Cumulative unrealized gain (loss) on AFS financial assets" within equity. These changes in fair value are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is reclassified to profit or loss.

The Company classified its proprietary membership shares as AFS financial assets as at September 30, 2017 and December 31, 2016.

*"Day 1" Differences.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income. In cases where there is no observable data on inception, the Company deemed the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Loans and Receivables.* Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

As at December 31, 2016 and 2015, this category includes cash in banks, receivables (excluding advances to officers, employees and service providers) and due from Parent Company.

*Other Financial Liabilities at Amortized Cost.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

As at September 30, 2017 and December 31, 2016, this category includes accrued expenses and other current liabilities (excluding statutory payables).

**Derecognition of Financial Assets and Liabilites**

*Financial Assets.* A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

- the right to receive cash flows from the asset has expired; or

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the separate statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

**Offsetting of Financial Assets and Liabilities**
Financial assets and liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the statements of financial position.

**Impairment of Financial Assets**
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the

resulting carrying amount will not exceed the amortized cost determined had no impairment been recognized.

*Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the statements of changes in equity.

**Other Current Assets**

Other current assets include creditable withholding taxes (CWT) and prepayments.

*CWT.* CWT are amounts withheld from income subject to expanded withholding taxes. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

*Prepayments.* Prepayments represent expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than twelve months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

**Investment Properties**

Investment properties, accounted for under the fair value model, are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at acquisition cost, including transaction costs.

Subsequently, investment properties are stated at fair value as determined by independent appraisers. The carrying amounts recognized in the statements of financial position reflect the prevailing market conditions at the end of each reporting period.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the statements of comprehensive income.

No depreciation charges are recognized on investment properties accounted for under the fair value method.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

**Computer Equipment**

Computer equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of computer equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the computer equipment.

Expenditures incurred after the computer equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of computer equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of computer equipment. The cost of replacing a component of an item of computer equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of computer equipment have different useful lives, they are accounted for as separate items (major components) of computer equipment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the computer equipment of 5 years.

The estimated useful lives and method for depreciation are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from computer equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

**Impairment of Investment Properties and Computer Equipment**

The Company assesses at each reporting date whether there is an indication that investment properties and computer equipment may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, investment properties and computer equipment are written down to its recoverable amount, which is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the

sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

**Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are treated as deduction from equity, net of tax.

*Additional Paid-in Capital (APIC).* Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC.

*Deficit.* Deficit represents the accumulated net income or loss, less any dividends declared.

**Revenue Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows:

*Rental.* Rental income is recognized using the straight-line method over the term of the lease.

*Interest Income.* Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

*Recovery of Assets Written-off.* Income from other sources is recognized when earned.

**Expense Recognition**

Expenses constitute cost of administering the business. These costs are expensed upon receipt of goods, utilization of services, or when the expense is incurred.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or

d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of

renewal or extension period for scenario (b).

*Operating Lease - Company as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

*Operating Lease - Company as a Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income.

**Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as other comprehensive income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Loss Per Share**

Basic loss per share is computed by dividing net loss for the year attributable to common stockholders by the weighted average number of common stock outstanding during the year, with retroactive adjustments for any stock dividends declared or stock split.

Diluted loss per share is calculated by adjusting the weighted average number of common stock outstanding to assume conversion of all dilutive potential common stock.

Where the loss per share effect of potential dilutive common stock would be anti-dilutive, basic

and diluted loss per share are stated at the same amount.

**Segment Reporting**
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components.

**Related Parties**
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

**Provisions**
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**Contingencies**
Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

**Events after the Reporting Period**
Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements when material. Post year-end events that are non-adjusting are disclosed in the notes to financial statements when material.

## 3. Significant Judgments, Accounting Estimates and Assumptions

PFRS requires management to make judgments and estimates and assumptions that affect the amounts reported in the financial statements. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Judgments**
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the financial statements.

*Assessing the Company's Ability to Continue as a Going Concern.* The Company has incurred continuous losses resulting in a capital deficiency of ₱107.4 and ₱85.7 million as at September 30, 2017 and December 31, 2016, respectively. Management believes this trend to continue for the twelve months after reporting date. As discussed in Note 1, the stockholders, provide continuing necessary financial support to the Company while new business opportunities are not yet

available. Based on this, the financial statements are prepared on a going concern basis of accounting.

*Classifying Financial Instruments.* The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company classified its proprietary membership shares as an AFS financial assets (see Note 7).

*Accounting for Lease Commitments: Company as a Lessor.* Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Company. Lease contracts where the Company retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Company, as a lessor, has entered into property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to nil and ₱0.21 million in September 30, 2017 and 2016, respectively.

*Accounting for Lease Commitments: Company as a Lessee.* The Company, as a lessee, has an operating lease agreement for its office space. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rent expense amounted to nil and ₱0.04 million in September 30, 2017 and 2016, respectively.

*Evaluating Contingencies.* The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that eventual liabilities under these lawsuits or claims, if any, will not have a material effect of the Company's financial statements.

**Estimates and Assumptions**

The key estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Determining Fair Value of Investment Properties.* The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

Fair market value is defined as the highest price in terms of money which a property will bring if exposed for sale in the open market, allowing reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

The appraiser also considered the concept of value in use which is based on the highest and most profitable continuous use or that which may reasonably be expected to produce the greatest net return over a given period of time.

Gain on fair value changes recognized in the statements of comprehensive income amounted to ₱1.9 million in December 31, 2016. Carrying value of investment properties amounted to ₱68.1 million in December 31, 2016 (see Note 6).

*Estimating Allowance for Impairment Losses on Receivables.* The Company maintains allowance for receivable impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behaviour and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

No impairment losses of receivables was recognized in 2016. Allowance for impairment loss amounted ₱60.3 million as at December 31, 2016. The carrying amount of receivables amounted to ₱4.4 million as at December 31, 2016 (see Note 5).

*Assessing Impairment of Investment Properties and Computer Equipment.* The Company assesses impairment on investment properties and computer equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

No impairment loss was recognized in 2016.

The carrying amount of the Company's investment properties, transportation equipment and computer equipment are as follows:

| | Note | **September 30, 2017** | December 31, 2016 |
|---|---|---|---|
| Investment properties | 6 | **₱68,135,000** | ₱68,135,000 |
| Transportation equipment | | **1,577,000** | - |
| Computer equipment | 8 | **44,330** | 57,200 |
| | | **₱69,756,330** | ₱68,192,200 |

*Assessing Impairment of AFS Financial Assets.* The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted instruments and the future cash flows and the discount factors for unquoted instruments.

No impairment loss was recognized in 2016. The carrying value of AFS financial assets amounted to ₱0.2 million as at December 31, 2016 (see Note 7).

*Assessing Realizability of Deferred Tax Assets.* The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Company's unrecognized deferred tax assets amounted to ₱36.2 million as at December 31, 2016. Management believes that there will be no sufficient future taxable profits against which deferred tax assets can be utilized.

## 4. Cash

This account consists of:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Cash on hand | **₱5,277** | ₱5,277 |
| Cash in banks | **9,717,574** | 2,696,686 |
| | **₱9,722,851** | ₱2,701,963 |

Cash in banks earn interest at bank deposit rates. Interest income from cash in banks amounted to ₱8,900 and ₱44,054 in September 30, 2017 and 2016, respectively.

## 5. Receivables

This account consists of:

| | Note | September 30, 2017 | December 31, 2016 |
|---|---|---|---|
| Loans receivable | | **₱62,277,740** | ₱62,277,740 |
| Advances to officers, employees and service providers | | **2,123,334** | 2,134,335 |
| Rent receivable | 11 | **453,932** | 381,932 |
| | | **64,975,006** | 64,794,007 |
| Less allowance for impairment losses | | **60,277,740** | 60,277,740 |
| | | **₱4,577,266** | ₱4,516,267 |

Loans receivable are related to the Company's previous bank operations. The unimpaired balance of loans receivable amounting to ₱2.0 million is left under an escrow fund as at September 30, 2017 and December 31, 2016.

Advances to officers, employees and service providers represent unliquidated, noninterest-bearing advances for processing of the transfer of title of properties to PDIC and BDO. These are liquidated upon the accomplishment of the purposes for which the advances were granted.
The Company collected accounts previously written-off amounting to nil and ₱0.7 million in September 30, 2017 and December 2016.

## 6. Investment Properties

This account represents parcels of commercial land located in Legazpi City, Albay, which are held for capital appreciation.

On December 31, 2016, the Company changed its measurement basis on investment properties from cost model to fair value model.

**Fair Value Measurement**

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report is at April 3, 2017. The fair value of the land amounted to ₱68.1 million as at December 31, 2016. The fair value was determined based on valuation performed by independent and professionally qualified appraisers with a report dated April 3, 2017. The fair value measurement for investment properties has been categorized as level 3 (significant unobservable inputs).

The composition of investment properties follows:

| | **September 30, 2017** | December 31, 2016 |
|---|---|---|
| Cost | **₱38,020,000** | ₱38,020,000 |
| Cumulative gain on fair value changes: | | |
| Balance at beginning of year | **30,115,000** | 28,214,000 |
| Fair value change | **–** | 1,901,000 |
| Balance at end of year | **30,115,000** | 30,115,000 |
| | **₱68,135,000** | ₱68,135,000 |

The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others.

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element. The price per square meter used for valuation ranges from ₱15,000 to ₱48,246 as at December 31, 2016.

Value adjustments: adjustments are made to bring the comparative values in approximation to the Investment property taking into account the location and size. Value adjustment used is 30%-40% as at December 31, 2016.

Average price index was arrived at ₱35,000 to ₱37,000 per sq. m as at December 31, 2016.

## 7. AFS Financial Assets

Movements of this account follow:

| | **September 30, 2017** | December 31, 2016 |
|---|---|---|
| **Cost** | **₱200,000** | ₱200,000 |
| **Unrealized gain (loss) on fair value changes** | | |
| Balance at beginning of year | **40,000** | 50,000 |
| Fair value change | **–** | (10,000) |
| Balance at end of year | **40,000** | 40,000 |
| | **₱240,000** | ₱240,000 |

## 8. Equipment

Movements of Computer equipment:

| | **September 30, 2017** | December 31, 2016 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of year | **₱85,800** | ₱85,800 |
| Additions | **–** | – |
| Balance at end of year | **85,800** | 85,800 |
| **Accumulated Depreciation** | | |
| Balance at beginning of year | **28,600** | 11,440 |
| Depreciation | **12,870** | 17,160 |
| Balance at end of year | **41,470** | 28,600 |
| **Net Carrying Amount** | **₱44,330** | ₱57,200 |

The company purchased transportation equipment amounting to ₱1,577,000.

## 9. Accrued Expenses and Other Current Liabilities

This account consists of:

| | **September 30, 2017** | December 31, 2016 |
|---|---|---|
| Liabilities arising from the MOA | **₱171,104,972** | ₱171,109,292 |
| Unearned income | **13,880,000** | – |
| Dividends payable | **10,985,443** | 10,985,443 |
| Rental deposits | **5,972,642** | 5,972,642 |
| Accrued expenses | **1,663,296** | 1,868,469 |
| Others | **4,086,033** | 3,225,036 |
| | **₱206,852,386** | ₱193,160,882 |

Liabilities arising from the MOA pertain to estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities, primarily from unremitted collection of assigned receivables and sale of foreclosed properties for the account of PDIC (see Note 1). This account also includes provision for probable losses to cover estimated losses from claims. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, certain information is not disclosed until final settlement as it might prejudice the Company's position on the matter (see Note 14).

Dividends payable pertains to the Company's dividend for cumulative, nonparticipating, nonvoting, redeemable and convertible preferred stock that were declared prior to the Company's incurrence of deficit.

Rental deposits represent long-outstanding rental deposits that have not been claimed by the Company's previous tenants.

Accrued expenses pertain to accrual of outside services, professional fees and association dues, among others. These will be settled in the next financial year.

10. **Equity**

**Capital Stock**

The movement in capital stock are as follows:

| | **September 30, 2017** | | December 31, 2016 | |
|---|---|---|---|---|
| | **Number of Stocks** | **Amount** | Number of Stocks | Amount |
| **Common stock - ₱1 par value** | | | | |
| Authorized | **3,000,000,000** | **₱3,000,000,000** | 3,000,000,000 | ₱3,000,000,000 |
| Subscribed: | | | | |
| Balance at beginning of year | **700,298,616** | **700,298,616** | 698,930,906 | 698,930,906 |
| Conversion of preferred to common | **–** | **–** | 1,367,710 | 1,367,710 |
| Balance at end of year | **700,298,616** | **700,298,616** | 700,298,616 | 700,298,616 |
| **Preferred stock - ₱1 par value** | | | | |
| Authorized | **2,000,000,000** | **₱2,000,000,000** | 2,000,000,000 | ₱2,000,000,000 |
| Issued and outstanding: | | | | |
| Balance at beginning of year | **14,366,260** | **14,366,260** | 48,559,000 | 48,559,000 |
| Conversion of preferred to common stock | **–** | **–** | (34,192,740) | (34,192,740) |
| Balance at end of year | **14,366,260** | **14,366,260** | 14,366,260 | 14,366,260 |
| | **714,664,876** | **₱714,664,876** | 714,664,876 | ₱714,664,876 |

The Company has 1,603, and 1,881 stockholders as at September 30, 2017 and December 31, 2016, respectively.

The following summarizes the information on the Company's issued and subscribed shares as at December 31, 2016:

| | Number of shares issued and subscribed | Percentage of shares |
|---|---|---|
| Non-public shareholdings: | | |
| a. Related parties | 498,555,085 | 71.20% |
| b. Affiliates, directors and officers | 97,179,807 | 14.00% |
| Public shareholdings | 104,563,624 | 14.80% |
| Total | 700,298,516 | 100.00% |

The preferred stock has the following salient features:

a. Cumulative, nonparticipating, nonvoting, redeemable and convertible at the option of the Company.

b. Cash dividend rate initially at 4.50% per annum based on par value, which shall be automatically adjusted to 9.00% per annum upon full payment of the subscription price.

c. The Company may, at any time at its option, wholly or partially redeem the outstanding

preferred stock plus accrued dividends thereon. When such call for redemption is made, the holders of the preferred stock may opt to convert the preferred stock to common stock. The minimum amount of redemption shall be equivalent to ₱100.0 million and redemption in excess of the minimum shall likewise be in multiples of ₱100.0 million. All redemptions shall be applied in proportion to the outstanding preferred stock.

On October 10, 2001, the BOD approved an option to stockholders of preferred stock of extending the maturity of stock for a 2% additional dividend on the 9% regular dividend.

In 2016, 34,192,740 preferred stock were converted to 1,367,710 common stock.

**Debt to Equity Conversion and Additional Subscription**
On April 6, 2013, the BOD approved the conversion of advances from NOHI and MTLCI aggregating ₱600.5 million, into 240,184,770 common stock at ₱2.50 a share. On January 14, 2014, the SEC approved the valuation for the Company's debt to equity conversion.

On the same date, NOHI and MTLCI subscribed to additional ₱179.0 million or 71,600,000 common stock at ₱2.50 a share. The Company received the minimum subscription price amounting to ₱70.0 million which was used by the Company to pay its loan with BDO. The remaining subscription receivable amounting to ₱109.0 million were collected in 2014.

## 11. Leases

a. The Company entered into a cancellable lease agreement of a certain property for a period of 20 years that expired on August 31, 2015. The Company subleased the said property which commenced on January 16, 2003 and consequently ended on August 31, 2015.
Rental income amounted to ₱0.15 million, and ₱0.3 million in September 30, 2017 and 2016, respectively. Related rent expense amounted to ₱0.03 million, and ₱0.3 million in September 30, 2017 and 2016, respectively.

Rent receivable amounted to nil and ₱0.4 million as at September 30, 2017 and December 31, 2016.

## 12. Related Party Transactions

Outstanding balances and transaction with related parties are as follows:

**Parent Company and Other Related Party**

| | Nature of Transaction | Amount of Transaction | | Outstanding Balance | |
|---|---|---|---|---|---|
| | | **Sept. 30, 2017** | 2016 | **Sept. 30, 2017** | 2016 |
| *Parent Company* - | | | | | |
| Due from (to) | Advances | **₱** | ₱40,000,000 | **₱20,000,000** | ₱40,000,000 |
| | Management fee | **23,092,784** | 23,092,784 | – | – |
| | | **₱23,092,784** | ₱63,092,784 | **₱20,000,000** | ₱40,000,000 |

Outstanding balances are unsecured, noninterest-bearing, payable on demand and settlement occurs in cash.

The outstanding balance of due from Parent Company as at December 31, 2016 was subsequently collected in January 2017.

On December 22, 2015, the Company entered into a management agreement with RYM to oversee and supervise the Company's business matters until December 31, 2017.

**Key Management Personnel**
There is no compensation for key management personnel.

## 13. Commitments and Contingencies

a. In the normal course of the Company's prior operations, there are outstanding commitments, pending litigations and contingent liabilities which are not reflected in the financial statements. The Company does not anticipate significant losses as a result of these transactions.

b. As discussed in Note 1, under the MOA dated September 12, 2002 between the Company and BDO, the Company transferred its assets and liabilities from its development banking operations. The Company agreed to hold BDO free from any contingent claims, labor and minority issues and concerns arising from related assets and liabilities still managed by the Company until these are assumed by BDO. Further, the Company agreed to indemnify BDO against losses, claims and damages BDO may suffer in the event such contingent claims, labor and minority issues affect BDO's rights under the MOA and the Deed of Assignment until the maturity of the deposits are assumed by BDO (see Note 9).

c. The Company is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from these will not materially affect the Company's financial position and results of operations.

## 14. Loss Per Share

The basic and diluted loss per share were computed as follows:

| | **September 30, 2017** | December 31, 2016 |
|---|---|---|
| Net loss | **(₱19,272,292)** | (₱26,270,986) |
| Less dividend rights of the preferred stock for the year | - | 1,581,671 |
| Loss attributable to common stockholders | **(19,272,292)** | (27,852,657) |
| Divided by weighted average number of common stock | **700,298,616** | 699,728,737 |
| Loss per share - basic and diluted | **(₱0.028)** | (₱0.04) |

## 15. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, receivables (excluding advances to officers, employees and service providers), due from Parent Company, AFS investment and accrued expenses and other current liabilities.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.

**Credit Risk**
Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and receivables (excluding advances to officers, employees and service providers) and due from Parent Company. The carrying amount of the financial assets represent the Company's maximum exposure to credit risk in relation to financial assets.

The credit quality of the Company's financial assets that are neither past due nor impaired are considered to be of high grade and expected to be collectible without incurring any credit losses.

High grade financial assets are those financial assets from counterparties with good financial condition and with relatively low defaults.

The aging analyses of financial assets as at September 30, 2017 and December 31, 2016 are as follows:

| | **September 30, 2017** | | | | |
|---|---|---|---|---|---|
| | **Neither Past** | **Past Due But Not Impaired** | | | |
| | **Due Nor Impaired** | **Less Than 30 Days** | **31-60 Days** | **Past Due and Impaired** | **Total** |
| Due from Parent Company | **₱20,000,000** | **₱–** | **₱–** | **₱–** | **₱20,000,000** |
| Cash in banks | **9,717,574** | **–** | **–** | **–** | **9,717,574** |
| Receivables* | **2,453,932** | **–** | **–** | **60,277,740** | **62,731,672** |
| AFS financial assets | **240,000** | **–** | **–** | **–** | **240,000** |
| | **₱32,411,506** | **₱–** | **₱–** | **₱60,277,740** | **₱92,689,246** |

**Excluding advances to officers, employees and service providers.*

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Neither Past | Past Due But Not Impaired | | | |
| | Due Nor Impaired | Less Than 30 Days | 31-60 Days | Past Due and Impaired | Total |
| Due from Parent Company | ₱40,000,000 | ₱– | ₱– | ₱– | ₱40,000,000 |
| Cash in banks | 2,696,686 | – | – | – | 2,696,686 |
| Receivables* | 2,381,932 | – | – | 60,277,740 | 62,659,672 |
| AFS financial assets | 240,000 | – | – | – | 240,000 |
| | ₱75,731,673 | ₱– | ₱– | ₱60,277,740 | ₱136,009,413 |

**Excluding advances to officers, employees and service providers.*

Cash in banks are entered into with reputable financial institutions duly approved by the BOD.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The tables below summarize the maturity profile of the Company's financial liabilities as at September 30, 2017 December 31, 2016 based on contractual undiscounted cash flows:

| | **September 30, 2017** | | | |
|---|---|---|---|---|
| | **On demand** | **Less than One year** | **More than One year** | **Total** |
| Accrued expenses and other current liabilities* | **₱206,852,386** | **₱–** | **₱–** | **₱206,852,386** |

**Excluding statutory payables.*

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | On demand | Less than One year | More than One year | Total |
| Accrued expenses and other current liabilities* | ₱193,154,189 | ₱– | ₱– | ₱193,154,189 |

**Excluding statutory payables.*

**Fair Values**

The table below presents a comparison by category of carrying amount and fair value of all of the Company's financial assets and liabilities as at September 30, 2017 and December 31, 2016:

| | September 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Due from Parent Company | ₱– | ₱– | ₱40,000,000 | ₱40,000,000 |
| Cash in banks | 9,717,574 | 9,717,574 | 2,696,686 | 2,696,686 |
| Receivables* | 2,453,932 | 2,453,932 | 2,381,932 | 2,381,932 |
| AFS financial assets | 240,000 | 240,000 | 240,000 | 240,000 |
| | ₱12,411,506 | ₱12,411,506 | ₱45,318,618 | ₱45,318,618 |
| **Financial Liabilities** | | | | |
| Accrued expenses and other current liabilities** | ₱206,852,386 | ₱206,852,386 | ₱193,154,189 | ₱193,154,189 |
| Due to a related party | – | – | – | – |
| | ₱206,852,386 | ₱206,852,386 | ₱193,154,189 | ₱193,154,189 |

**Excluding advances to officers, employees and service providers.*
***Excluding statutory payables.*

*Current Financial Assets and Liabilities.* The carrying amounts of cash in banks, receivables, accrued expenses, and other current liabilities and due from and to related parties approximate their fair values due to the short-term nature of the transactions. The fair value measurement of current financial assets and liabilities is classified as Level 3 (significant unobservable inputs).

*AFS Investment.* The fair value of this financial asset is determined by reference to quoted market bid prices at the close of business at the reporting date. The fair value measurement of AFS investment is classified as Level 1 (quoted in an active market).

**Capital Management**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue its operations as a going concern and to maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders, or issue new stock. No changes were made in the objectives, policies or processes for the period September 30, 2017 and years ended December 31, 2016.